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SEPTEMBER 1971

Nation's Business



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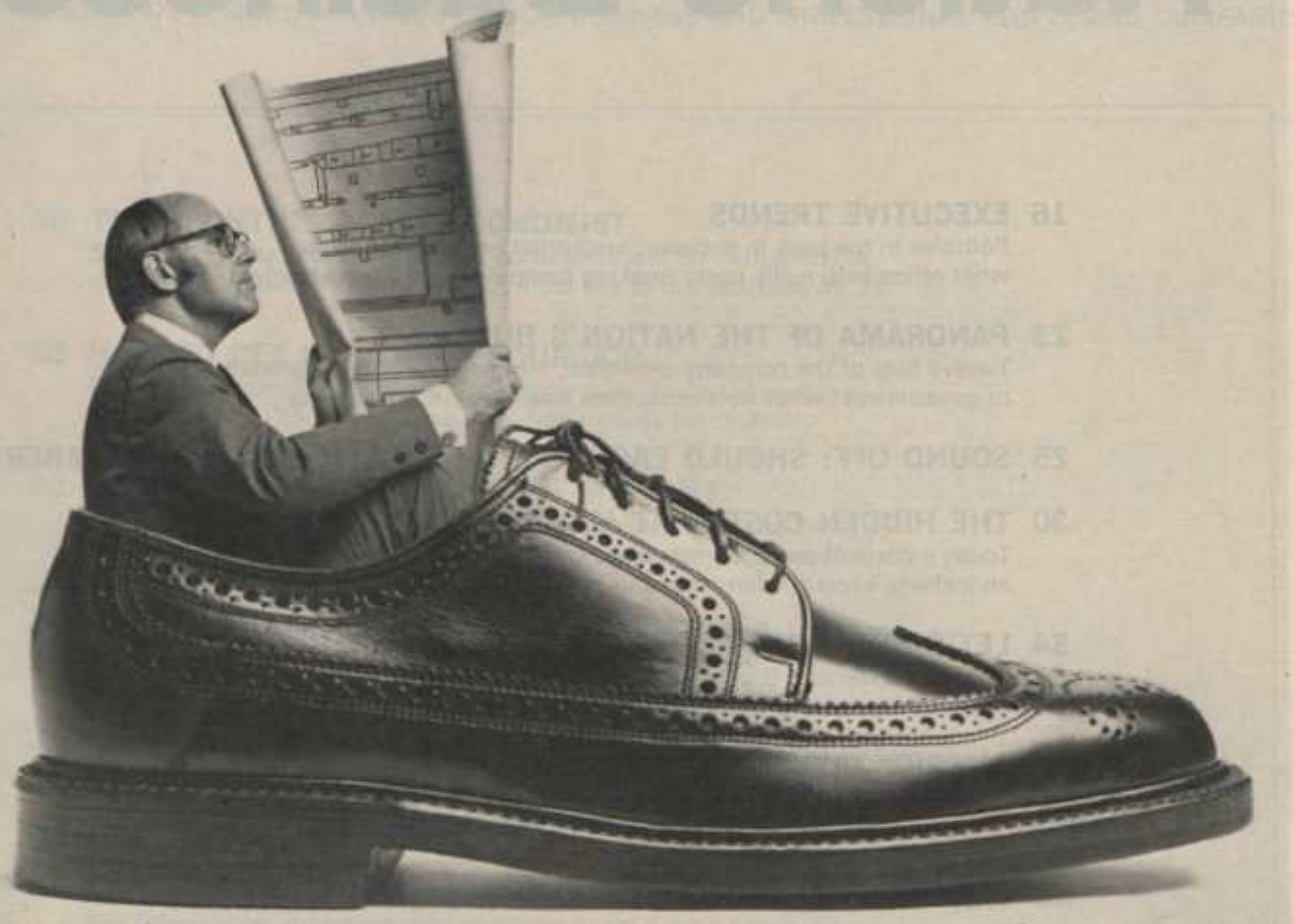


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16 EXECUTIVE TRENDS
Potholes in the path to success; uncharted reefs in real estate; what office help really costs; making computers pay for themselves

23 PANORAMA OF THE NATION'S BUSINESS
Twelve hats of the company president; bringing better management to government; what Avis executives learn behind the counter

25 SOUND OFF: SHOULD EACH OF US BE GIVEN JUST ONE NUMBER?

30 THE HIDDEN COST THAT MAY BREAK THE CITIES
Today's costs of pensions for public employees are just the tip of an iceberg, experts warn; the long-range threat is frightening

34 LET'S PUT THE SMUT MERCHANTS OUT OF BUSINESS
Postmaster General Blount calls for Americans' help in a battle against those who profit handsomely from peddling pornography

40 AMERICA MUST HAVE THE ALASKAN OIL
Oil companies have toed every line, performed every chore asked of them to meet ecologists' demands for the Alaskan pipeline

44 VIET NAM VETERANS ARE COUNTING ON BUSINESSMEN
New government programs make it easier for employers, especially small businessmen, to hire the 300,000 Viet Nam GI's who need jobs

50 LESSONS OF LEADERSHIP: CHARLES H. DOLSON OF DELTA AIR LINES
The ex-Navy pilot who heads one of the most profitable U. S. airlines credits much of its success to a great esprit de corps

61 WHAT'S YOUR CORPORATE IMAGE?
Here are some tips on how your organization can make a good impression

62 WELFARE BILL BOOMERANG: BONUS FOR WORKING LESS
A husband-and-wife research team shows that guaranteed-income plans, despite advocates' claims, would stifle initiative and encourage idleness

Cover photograph by Barry Blackman

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66 THIS MONTH'S GUEST ECONOMIST
Some say it's hard to predict what consumers will do—what makes them buy and how much—but they're the key to the economy in '71

68 HOW TO GET ON TOP OF YOUR JOB
To be an outstanding performer, an expert says, you must manage your time well—and leave some duty-free periods for creativity

70 A PLACE IN THE SUN FOR THE MIGRANT
Coca-Cola is making life a lot brighter for formerly footloose fruit pickers by providing permanent homes and other company benefits

74 DYNAMIC GROWTH COMPANIES: ALMA DESK CO.
There are no flies on this family firm whose sales of office furniture have climbed 500 per cent in just the last decade

78 THE EXCITING PRODUCT OF THE EXCITED ATOM
Ten years of fruitful laser research are beginning to pay off in a host of new devices for the military—and for business

84 YOU, TOO, CAN SELL ABROAD
Aid, information, incentives and encouragement are on tap at the Commerce Department for U. S. firms interested in exporting

88 MAKING MORE JOBS FOR YOUNG AMERICANS
The way to do it, many experts say, is to have a separate minimum wage for teen-agers, so they won't lose out on jobs they can handle

94 BUSINESS: A LOOK AHEAD
Growth in processed fruit output; adding salt to air conditioners may banish blackouts; retailers alarmed over credit charge curbs

96 EDITORIAL: TIME FOR SERIOUS THOUGHT
After the 90-day wage-price freeze, what?

EDITOR
Jack Wooldridge

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Memo From the Editor

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If you were surprised by the President's wage-price freeze, I can assure you I was much more surprised.

Only a few weeks ago the President himself told a small group of us privately that he would positively never invoke wage-price controls.

Obviously the pressures of years of inflation and the international monetary crises forced him to change his mind, and perhaps a distinction can be made between the freeze and "controls."

We hope he will stand firm against permanent controls. There are other corrective steps that make much more sense (see Editorial, page 96).

• • •

Although the President says he plans to delay action on the guaranteed income-welfare bill, its proponents are continuing to claim it would encourage poor people to go to work and get off the welfare rolls.

But an extensive new econometric study by two professors here in Washington proved that just the opposite is true.

You can read how Alfred and Dorothy Tella arrived at that conclusion in the article starting on page 62.

Their research was commissioned by the Chamber of Commerce of the United States, which continues to hold the position that true welfare reform is desperately needed, but that the guaranteed annual income concept is not the answer.

• • •

You may think our cover is unusual for *Nation's Business.* And you're right.

We are usually not concerned with such subjects as pornography. But many of you have written me—and sometimes sent samples—to say you are certainly concerned about it. And we *are* concerned, too, with the broad issues of morality and the quality of life as well as specific business issues.

Pornography, of course, is a business—a dirty business, and a profitable one. Few know more about it than Postmaster General Blount, whose postal service is used by smut peddlers to advertise their wares—and sometimes to deliver them. I think you will agree with his conclusions in the article starting on page 34.

One of the problems is delivery of such material to young children. The arms on our cover belong to a three-year-old little girl who, I can assure you, had no idea what the envelope she was opening contained.

You can stop such stuff from coming into your home by filing a form with your local postmaster requesting him not to send you mail from a given company. He then notifies the company that it cannot send you anything.

Like many laws, this one has its quirks. At least one person has notified a postmaster that he considers *Nation's Business* objectionable, so we must be careful never to mail him anything.

Maybe I should dispute one of Mr. Blount's points. Maybe evil is "in the eye of the beholder."

• • •

A couple of months ago, in examining our national energy situation, we became convinced that one of the necessities is construction of the Alaskan pipeline. You've probably heard or read about the controversy over its effects on the environment. But very, very few have gone to look at the site to see what's really going on. Our Senior Editor Sterling Slappey went.

He came back more convinced than ever that the pipeline is needed and that it will be constructed



Happy caribou

with the greatest of care to preserve all the things everybody has been worrying about. His report is on page 40.

Incidentally, he says the caribou won't be inconvenienced—in fact, they've snuggled up to a test section of the pipeline, already built, and romp around the oil derricks.

Government officials are supposed to decide this month whether to give the go-ahead.

Hope they read Sterling's article.

Jack Wooldridge

Up to July 1, 1971, any ½-inch color video tape recorder you bought had something missing.

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Letters

TV Union Fires Back at Buckley

• Re your William F. Buckley Jr. interview [June], which your editor characterizes as "courageously challenging compulsory unionism in the broadcasting industry," the American Federation of Television and Radio Artists replies:

√Mr. Buckley's challenge appears specious, and AFTRA questions the sincerity of his point that "the basic argument" in the lawsuit is his right of free speech on the air. It appears obvious that Mr. Buckley is fronting for the National Right to Work Legal Defense Foundation, which, as you note, is backing him.

Mr. Buckley admits he started the lawsuit only after he knew financial backing would be forthcoming. NRWLDF has stated, when soliciting contributions for money to fight unionism, that it is committed to an all-out effort to win; that it will take the case to the U. S. Supreme Court; and that it estimates the cost at $80,000 or more.

Does Mr. Buckley really have sincere concern about his right to free speech on the air, or is this merely an effort on his part to get nationwide publicity and, at the same time, lend his support to NRWLDF in its crusade against the union shop?

√Nothing in the union shop clause in AFTRA's industry-wide agreements, and nothing in AFTRA's constitution, interferes with any member in exercising any rights guaranteed by the U. S. Constitution—including Mr. Buckley's right of free speech. In fact, the U. S. Supreme Court has so decided several times. AFTRA lawfully and properly required Mr. Buckley to be a member, because of his frequent appearances as a performer on programs like Johnny Carson's "Tonight Show" and Rowan and Martin's "Laugh-in."

√AFTRA is not a "monopoly" or "oligopoly." Its members are not conscripts or indentured. No member who takes a position contrary to that of the union is treated as a scab or fascist for speaking freely. As in any society, AFTRA members are subject to possible discipline for activity which harms the organization or violates its rules—after a trial at which the member is represented by counsel of his own choice, has been given ample notice of the charges against him, and may examine and cross-examine witnesses.

If found guilty, the member may appeal to the local membership, the National Board of AFTRA and the AFTRA Convention—in each instance, a tribunal composed of his fellow members. The courts do not allow "draconian penalties"—only reasonable ones.

√When Mr. Buckley refers to "the AFTRA people who have a total hold on me" he can only mean the 25,000 members who freely elect representatives of their own choosing as officers, national and local board members, and delegates to annual national conventions. Members, officers, board members, convention delegates and committeemen devote their time, effort and knowledge without pay to promote and protect jobs, job opportunities, wages and working conditions of all who work in radio and television.

√Mr. Buckley became an AFTRA member in April, 1966, because RKO-General advised him to join when it and Mr. Buckley's *National Review* began co-production of "Firing Line."

The record shows that questions by Mr. Buckley's representatives as to the possible consequences if he resigned from AFTRA were answered by factual answers—not threats. The record also shows that when Mr. Buckley was requested to produce, as necessary evidence, complete copies of his employment contracts with *National Review*, instead of the truncated copies offered by his counsel, he replied: "I refuse on the Fifth Amendment grounds."

It is as absurd to hide behind the Fifth Amendment here as it is to at-

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Letters *continued*

tempt to use the First Amendment to illegitimatize the union shop.

√Mr. Buckley argues that he would be deprived of free speech if he had to respect a picket line on AFTRA orders. Would he argue likewise if the station terminated his contract or failed to renew it? And what if a station illegally "locked out" Mr. Buckley and all other AFTRA members during a labor dispute?

Today, AFTRA minimum scale for a performer on a one-hour television show is $230 plus a 6½ per cent contribution by the producer for pension and welfare benefits. This compares to $10 or less, and no pension and welfare contribution, prior to the first union television agreement in 1950.

Certainly the efforts of the thousands of AFTRA members who have achieved these benefits, including vastly improved working conditions, should not be deprecated or jeopardized by one individual who apparently does not need to work for his living. Perhaps Mr. Buckley concurs in the strategy that the best defense is a good offense and he is preparing for the inevitable AFTRA organizing efforts at the broadcasting facilities in which he owns the majority of the equity.

SANFORD I. WOLFF
National Executive Secretary
American Federation of Television and Radio Artists
New York, N. Y.

Governors like welfare story

• "The Welfare Mess" [July] certainly was of interest and I believe that it clearly demonstrates the point that the nation's governors are trying every possible solution to the current welfare problem.

Moreover, I think the article proves to all of us that President Nixon's welfare reform program provides the states with the means of bringing this huge problem under control.

If we continue along the path we have for the past decade, it will not be too long before more than one half of the states' budgets will be spent on welfare.

Action is needed now.

THOMAS J. MESKILL
Governor
State of Connecticut

• I was very much interested in reading the comments of my colleagues concerning the welfare crisis in their various states.

Wyoming, with such a small population, has thus far escaped the crisis that many others have been in for some time; however, it appears that the cost of maintaining the welfare recipients is fast approaching the point at which it is going to have to be dealt with.

STANLEY K. HATHAWAY
Governor
State of Wyoming

Mr. Buckley's regrets

• Aryeh Neier, executive director of the American Civil Liberties Union, has taken exception to words of mine published in your issue of June, 1971. As well he might. I told your reporter, apropos my free-speech lawsuit a-

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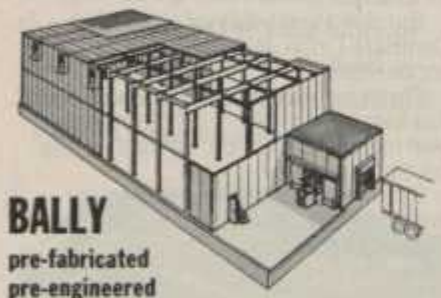
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Letters *continued*

gainst the American Federation of Television and Radio Artists, that support of it from the ACLU might prove difficult to get because of "those old trade union types who put in a lot of money to keep ACLU alive."

Mr. Neier informs me that he feels "safe in saying that the ACLU gets substantially less than one tenth of 1 per cent of its support from labor unions or labor connected organizations."

I greatly regret the misrepresentation.

WILLIAM F. BUCKLEY JR.
Editor in Chief
National Review
New York, N. Y.

Pleased with progress

• Re "Sound off Response" [August], Yes, we are better off today than we were 25 years ago.

1. Our education system is better. It continues to offer education to more of our younger population, and re-education to more of our older people who need to improve their capabilities. I believe the quality of our learning system is better and will continue to be better each year, regardless of the difficulties with changes that are taking place.
2. Our food supply is very good and under better control than 25 years ago. This is in both quality and quantity of items available.
3. Products we buy today are much better, regardless of the very vocal consumerism of members of our society and our Congress. The new products are doing a better job for the customer by far.
4. Our medical care capabilities are far better and available to a much greater percentage of our population.
5. I personally believe that housing for the families of America is much better than 25 years ago. Certainly the availability of modern facilities and conveniences of the electronic age are available to far more people.
6. The ability of the average American to have a higher standard of living is better, because personal income has increased more rapidly than prices have increased. At the same time, many of the products we buy today give us more service than the same products of 25 years ago—if they were then available.
7. I believe the tremendous growth of our transportation and communication systems, including TV, has brought a much broadér life to Americans. This has made possible such rapid changes of understanding and knowledge, to all ages, that we are having trouble absorbing all our new perspectives in controllable balance. However, it appears that we have reached the peak of this tremendous disturbance and that we are about to be on our way to melding such changes into our society.

Personally, I am very optimistic about the future of the United States, because I think an exciting awareness is taking place. More and more, we will realize the opportunity we have to create a better life for all of us during the next 25 years.

DEL ROSKAM
President
Cessna Aircraft Co.
Wichita, Kans.

Fear of the boss

• I agree with author W. H. Weiss that "Breaking the Fear Barrier" [July] is a major business problem. In fact he has understated his case.

In my opinion the number one problem of every large organization, be it business, foundation or the military, is fear of the boss.

"Fear of the boss" gives us fictional body counts in Viet Nam, and delayed or modified balance sheets. It blocks off effective communications in all organizations.

To remove it takes tremendous effort. It can never be fully overcome. Organizations by their very structure encourage "fear of the boss."

Some weaker individuals in an organization are actually more comfortable with it. If you're afraid of your boss then you really don't have to communicate fully with him. Rank structure is security to some.

A good boss works at this problem all the time. He must do an enormous amount of routine communication with his subordinates so that when "bad news" comes they will feel free to discuss it with him openly.

When mistakes are made the reprimand—if appropriate—must be clear and positive and not dragged out for weeks.

The ultimate objective: An atmosphere where a subordinate will bring you his mistakes as quickly as he brings his successes.

Few achieve this objective—all effective leaders strive for it.

I use a law of organization to test how much fear there is in a work group. Here it is: "The validity of any discussion is inversely proportional to the number of organizational levels present."

Try it—watch it at work in your meetings.

It's a good gauge of how much fear there is in your own operations.

ALBERT D. WOOD
Division Plant Superintendent
New York Telephone Co.
New York, N. Y.

Geothermal energy ignored?

• I have read your article, "Heading Off an Energy Crisis" [July]. You failed to recognize the potentiality of a new power source—geothermal steam. It is barely mentioned.

However, you say: "But ecologists fail to nominate a substitute source for the needed energy derived from coal."

This is not true. I stated before a United States Senate subcommittee, July 17, 1970, the advisability of using geothermal resources of the Appalachian, Ozark and Rocky Mountain regions.

The Lord gave us this new resource, free for drilling—but nobody listens. The Rocky Mountain states, if they were smart, would utilize it and profitably export billions of kwh's annually to the rest of the nation.

But they are not awake yet.

This is typical.

I wrote to 81 power companies on this issue and none—again, none—even thanked me for the information.

Let us face it, the electric energy companies make their money regardless, and their protected status prevents them from being "risk" takers in a new energy system.

Pacific Gas and Electric Co. is the only one quietly cashing in on this source.

The others we can ask: Quo vadis?

JOSEPH C. HORVATH, PH.D.
Chairman, Environmental Research Group
School of Business Administration
Georgia State University
Atlanta, Ga.



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Executive Trends

BY JOHN COSTELLO
Associate Editor

- Cutting travel time
- Why firms fail
- Real estate pitfalls
- What help really costs

One way to avoid traffic

What has a large rotary wing, climbs vertically, lands on a dime—and is a valuable management tool?

That's right—the helicopter.

More and more executives are putting it to good use.

For one, Gene Polster, vice president, Jos. L. Muscarelle, Inc., a land development firm based in Maywood, N. J. He rides herd on a $20 million construction project in New York's Westchester County.

It takes an hour and a half to drive there from his office near mid-Manhattan.

Now he gets there in 12 minutes, by chopper.

"I arrive fresh," he says, "instead of worn out from fighting traffic.

"It's also a great way to pick out access roads for excavating a site. I've done it in a few minutes from the air. It might take me hours of studying to do it from the ground."

His firm rents choppers from Ronson Helicopters, Inc. The rate for a five-seater is $190 an hour, for a two-seater, $90.

"But we have a monthly contract that cuts the rate way down," Mr. Polster says.

Says Ronson Vice President Peter Hines:

"We don't fly as fast as jet liners, but we don't have to use airports either. Within a 300-mile radius, the executive chopper is the fastest way to get from here to there."

Ever since World War II, the helicopter has been touted as the flivver of the future.

It's not that yet.

"But," Mr. Hines points out, "helicopters in civilian use increased from 900 to 3,500 in the Sixties alone."

Real reasons why they fail

Managerial inexperience and ineptitude. "They account for almost 90 per cent of business failures," says Dun & Bradstreet, Inc.

But some kinds of expertise—notably sales or marketing—evidently play a much larger role in success than others.

Dun & Bradstreet took a hard look at more than 9,000 firms that failed recently. Here are the main reasons why they flopped, it says in its booklet, "The Failure Record Through 1969":

	Per cent
Inadequate sales	39.0
Competitive weakness	21.2
Heavy operating expense	11.2
Receivables difficulties	9.3
Inventory difficulties	4.2
Excessive fixed assets	3.6
Poor location	2.6

In a nine-year period, the failure rate declined sharply, Dun & Bradstreet finds. The rate per 1,000 went from 6.4 in 1961 to 3.7 in 1969, the last year for which data was available. This is the year-by-year record:

Year	Failures per 1,000
1961	6.4
1962	6.1
1963	5.6
1964	5.3
1965	5.3
1966	5.2
1967	4.9
1968	3.9
1969	3.7

But if failures are fewer, they're more costly, Dun & Bradstreet finds. Ten years ago, the average liability was $63,843. In 1969, it was $124,767.

Uncharted reefs in real estate

"We really were stung on that real estate deal," one executive groans.

"Yes, and he has lots of company," says John Dolman, president, American Society of Real Estate Counselors.

The lure of real estate investment, Mr. Dolman adds, "is strong. Often, it brings corporations or individuals into uncharted areas, full of reefs for even the sophisticated investor. Many

You may be buying four times as much hydraulic oil as you need. Better look into it.

Theoretically, hydraulic equipment should operate for a year or more on a single oil fill. But the sad fact is that you're probably buying at least *four times* as much oil as your total sump capacity. For every gallon you *use*, you *waste* three.

Which is why we created the Mobil Hydraulic Program—designed to slash your total hydraulic costs.

This is just one of the many services Mobil offers to help customers save money. We have a Rust Prevention Program, for example, to help you cut down on rejects.

There's MI/DAC—which has helped industrial customers save over $100,000 by computerizing maintenance. And there are similar programs to help mines, contractors, and fleets lengthen engine life, stretch oil-change intervals—and raise profits.

Usually, we end up selling less oil. But we're not worried. Selling less oil to more people has helped make us industry's biggest lube supplier. Better look into it. Mobil Oil Corporation, 150 E. 42nd St., New York, N.Y. 10017.

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The facts are free. And they could help you put a lot of cash to more productive uses. For your free copy of our brochure,

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of them are successful in other fields. They see the possibilities for tax shelter.

"But for every guy who's made a few dollars in real estate, there's a Zeckendorf or a Wolman who lost his shirt by being overextended."

What many overlook, he says, is that real estate's a "wasting asset."

"You build something today, and eventually you tear it down. Every piece of real estate has a characteristic life which will some day expire."

Here are some rules he suggests for the prudent investor:

- Get competent counseling from someone who has no ax to grind.
- Weigh the "wasting" factor—as well as appreciation.
- Make sure your original premises—about rental income, cost of financing and what your tax shelter will really be—are correct.

Was it an $85 misunderstanding?

"Okay," the boss says.

"We could probably use another typist.

"Put her on the payroll."

It's only an $85 decision, he figures. That what the gal gets a week.

"But it's really a lot more than that," says Robert H. Cooke, president, Dictaphone Corp.'s Office Services—North America Division.

"For example, add fringe benefits, hiring costs and other hidden expenses. You'll find that the $85-a-week-typist really costs you more than $131 a week. That's $6,846 a year."

Dot Girls, a temporary help service of Dictaphone Corp., gives away a pocket slide rule that compares weekly wages with true costs. Here are some figures from it:

Weekly Wage	*True Cost Per Week*	*True Cost Per Year*
$90	$138.24	$7,188
$100	$151.41	$7,873
$110	$164.58	$8,558
$120	$177.75	$9,243
$130	$190.92	$9,927

What's Dot's pitch?

"Flexible staffing," Mr. Cooke explains.

"More and more companies find they can cut costs and boost profits by using both permanent and temporary employees.

"How? By following these simple rules:

"Don't hire a full-time employee for a part-time job.

"Or a permanent employee to handle a temporary work load."

Doing away with the Pony Express

Bill Smith is driving the wife and kids to Mexico.

It's a vacation they're dying to take. But there are some questions. For example, will Bill's auto insurance be good abroad? And will it cover some risks, common there, that are rare in the U. S. A.?

If not, what kind of a rider will Bill need for his policy? And how much will it cost?

Today, Bill may not be able to get the answers instantly. But soon he very well may.

"Insurance companies will be big users of computer data transmission," says David Foster, president, Data Transmission Co., Vienna, Va.

"One way they'll use it is to handle queries like Bill Smith's. More and more branch offices will have their own terminals. With them, they'll have direct access to policies on file in the home office's computer."

Now, it's expensive to talk directly to the computer. But new, specialized microwave transmission systems should cut costs drastically.

Their impact will be revolutionary, suggests a study that Booz, Allen & Hamilton, Inc., made for Datran. As a result, it says, the data transmission market should boom. Here are some of its forecasts:

- Number of calls, 3.7 billion in 1970, will go to 12 billion by 1974, and 32 billion by 1980.
- Number of terminals, 185,000 in 1970, will increase to 800,000 in 1974, and 2.5 million by 1980.

The study says banks and financial institutions will account for the biggest single increase in calls.

"Here's what many smaller banks

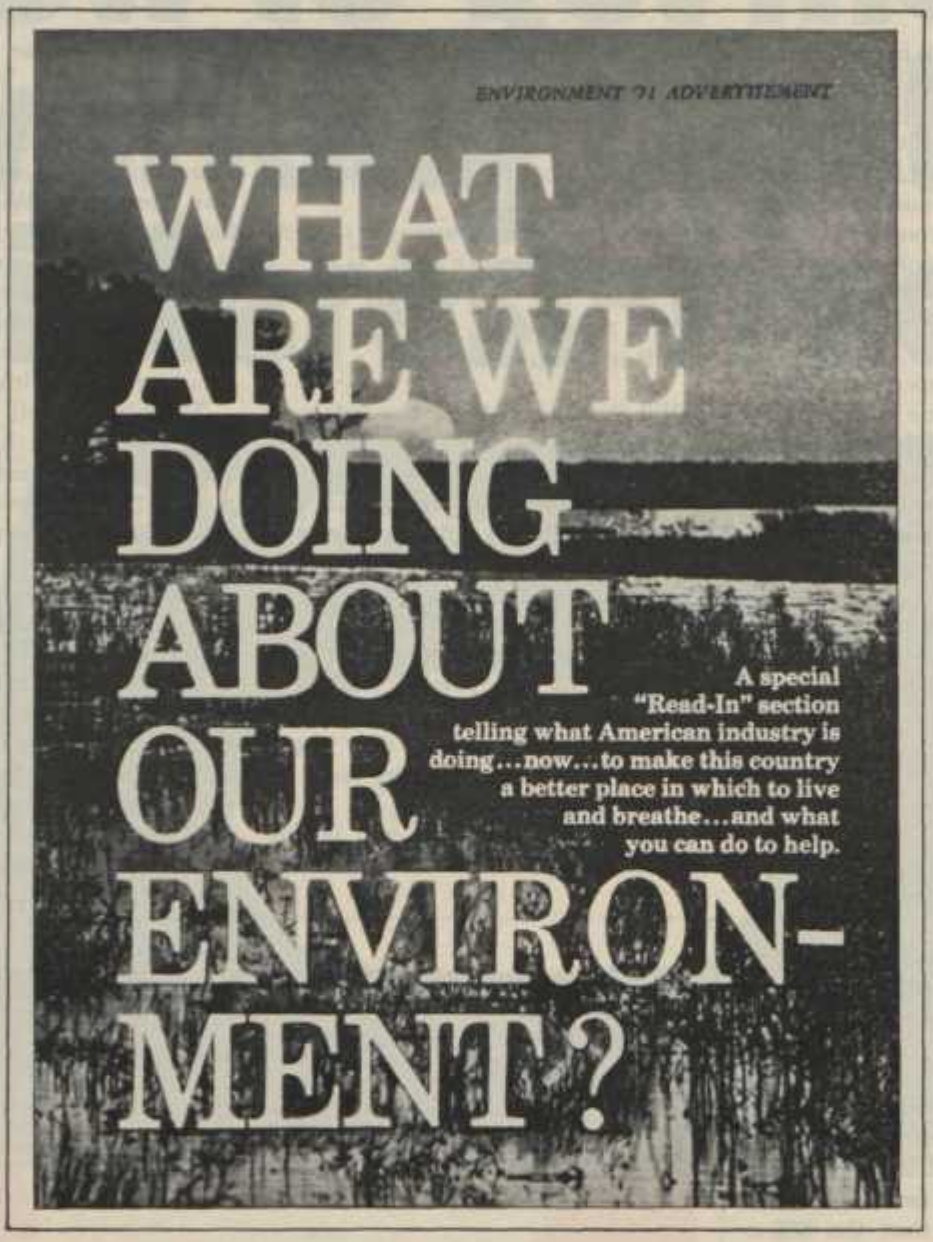
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A special advertising section in the September Reader's Digest.

The environmental problems that are facing our country, and our world, have been many decades in the making. And very few of them are going to be solved overnight.

But everybody agrees on at least one thing. We must find the solutions. And we must start yesterday. Here you see the cover of a special advertising section in the September Readers Digest. It's a section conceived to present this perspective: that the pollution of our environment isn't just industry's problem. Or government's. Or the consumer's. It's *everybody's* problem. For everybody contributes to it. And everybody must help make solutions work.

This special section reports on what some segments of American industry are doing, and plan to do about the problems of our environment. And in the section, eight leading companies and associations tell you just that. You'll read reports from Champion Spark Plugs, American Forest Institute, General Motors, Glass Container Manufacturers, Ford, Faberge, Amway Corporation and The Can People.

The things these concerned organizations have to say about what they've done, are doing, and plan to do, will go to The Digest's forty-two million adult readers—one-third of all the adults in the United States.

Reader's Digest
WORLD'S BEST SELLER

do today," Datran's Mr. Foster notes.

"At the end of the day, they bundle up all their checks. Then they're hauled to a service center, maybe 50 or 100 miles away. The center runs them through its computer. Then they're driven back to the bank the next day.

"It's a Pony Express way to operate—in an electronic age. Cheaper costs will end all that."

Making your computer pay for itself

"Many smaller companies," says William P. Hegan, president, Time Brokers, Inc., "use only half of the time available on their computers.

"Say a company with a small model that rents for about $5,000 a month.

"Chances are, it's a company that operates only one shift a day—five days a week.

"If the company knows how, and wants to, it can equal its rent in time sales."

Some larger companies have set up separate subsidiaries to market their unused computer time.

"Lever Brothers is one," Mr. Hegan says, "and Boeing is another.

"A company's need for computer time will vary from week to week, and from month to month. Not every business, for example, hits its peak in Christmas week.

"Manufacturers, banks, brokers, insurance companies—all have a somewhat different business cycle."

Computer time is a valuable commodity, he points out.

"It's worth about $50 to $75 an hour on a small IBM 360-30 model—depending on all extra gear or equipment on it."

However, Mr. Hegan cautions, it's not price so much as service that is attractive to a time buyer. When he wants to get on the computer, he wants to get on now.

"In 1971," says Mr. Hegan, whose firm is located in Elmsford, N.Y., "there will be more than $3 billion worth of idle computer time in the United States.

"At least $500 million worth could be sold if American businessmen treated the computer as a piece of industrial equipment rather than the special preserve of the technician."

What does it take to convert this unexploited asset into cold cash? Answers Mr. Hegan:

"A president who'll give his data processing manager the authority he needs to sell the company's spare computer time.

"And an EDP manager who is interested in selling—and has an incentive to do so."

The hidden cost of firings

"Sure, you have to cut costs," one expert concedes.

"But how you do it is important."

Many a firm is doing it wrong, says Daniel D. Howard, president, Daniel D. Howard & Associates, Inc., Chicago.

"When it fires an executive, the firm runs the risk of badly shaken morale in all management ranks. Especially if it looks cold-blooded.

"While jobs are tight, you'll get lots of frightened lip service in the executive suite. But once the market opens up, the ablest will jump ship."

If you must cut the management staff, how should you do it?

Ask yourself some searching questions, Mr. Howard advises. Like these:

"Are we firing the right man?"

"Can the guy we let out be helped in finding a new job?"

"What can we do to soften the blow—and start him on the job-hunting road?"

An executive may well be demoralized if he loses his job, Mr. Howard says, because it "represents his status in the community, his economic relationship with his family and his prestige in his social circle."

Mr. Howard says the best way to help him is this:

"See that he has someone to listen to him and help him plan his next move intelligently. What he needs is a chance to air his fears and resentments, discuss his skills and get help in setting his sights on a new career."

Spread the word and save a buck.

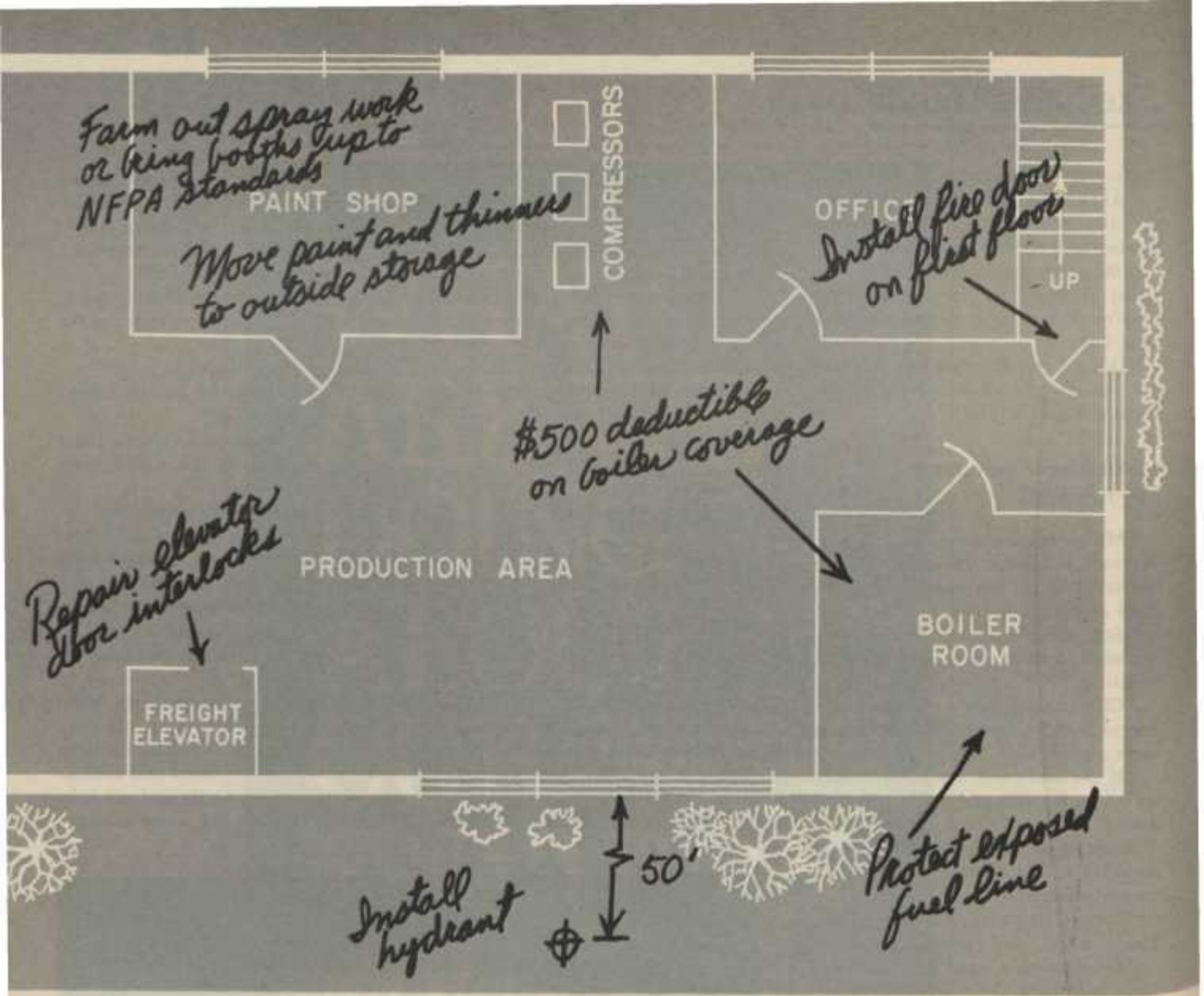


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Presenting the "you-pull-one-oar-we'll-pull-the-other" method of reducing insurance costs.

The insurance buyers' market of the last two decades has softened. Skyrocketing losses have made carriers more cautious. To obtain favorable rates today, the businessman should think in terms of saving money for the insurance company, too.

It's simply facing up to the basic insurance facts of life, and both parties benefit.

For the big savings, reduce your own losses.

It's common knowledge that premium cost is basically composed of (1) an amount computed to pay out losses and the expense of settling them, and (2) a charge to pay for the insurance company's operating expenses and profit. So ultimately, cutting losses, or the risk of losses, is the greatest way to cut premiums.

Workmen's Compensation is probably the best-known example of a type of insurance where the premiums directly reflect your loss experience. Comparing "fixed cost" against "retrospective rating" plans loses significance when you realize that both are designed, actuarially, to develop the same total premiums over the long haul. So cutting your

losses . . . if you can do it . . . is the clear-cut way to lower premiums.

Similarly, fire insurance rates basically reflect the hazards of your particular business and construction features of your building. So the costs of risk-reducing additions like sprinklers, extinguishers, fire walls and doors, even hydrants, can pay for themselves quickly in premium savings. Or, changing some manufacturing or finishing process can often help reduce your fire rate.

Over a longer period even major construction changes can pay off.

Attitudes count. A clear commitment to upgrade property or install a safety program is the best way to convince an underwriter that you're a good risk. And may well lead to substantial reductions in premiums.

These days, you have to dig a little deeper, too.

One big problem is that insurance is changing so rapidly and so drastically, due to increasing business complexities, that many businessmen—and even some insurance men—have difficulty in keeping informed.

The changes that are taking place, paradoxically, actually offer opportunities for improving coverage, and reducing costs as well. But you have to be aware of what those opportunities are, and of how to master the complexities. For example:

The trend, in recent years, toward increasing deductibles is a case in point. The premium savings achieved by absorbing the smaller losses can be used to buy broader coverage. The various types offer a good deal of flexibility, but deciding on the size of the deductible or whether it should apply on a "per claim" or a "per occurrence" basis, and working out the tax problems, may take a sharp pencil and some professional advice.

Package plans are another way to get the most insurance protection per premium dollar. They can be used to eliminate overlapping coverages, fill some of the gaps, and lower engineering and administrative expenses. And they can make your account more attractive to the insurer. But don't buy a "surprise" package. With all your eggs in one basket, you'd better be certain that the company writing the package has sufficient financial stability, engineering facilities and underwriting know-how. That's a big order and should be filled carefully.

Take a look at your Liability coverage. Are your limits realistic? You have to think big. After all, juries do. But in raising limits, you'd better look into "combined" protection. That's a single limit on both bodily injury and property damage, and will cost less than raising the property damage limit separately.

The Umbrella Liability policy may well be the greatest advance in insurance in 30 years. It does what insurance is really supposed to do . . . provide broad protection against catastrophic loss, and for both common and uncommon risks. It's an extra layer of liability insurance that sits on top of your other policies, and fills gaps in coverage as well. Like covering your liability for personal injury such as mental anguish or shock.

There are many varieties of umbrellas, so it may get a bit confusing without a thorough briefing. But with that broader coverage, you may want to consider upping your deductible limits. And wind up saving money overall.

There are many other possibilities for reducing your insurance costs. But they involve many new angles.

And if you're like most businessmen, you don't know them well enough to do the job alone. Get the advice of a professional agent or broker. A real professional, not a lightweight. Let him tell you about a lot of things you may never have heard of. His advice will be free. And chances are, you'll wind up with more and better coverage, at lower cost.

And what he'll probably tell you is that what it all boils down to is, if you can save the insurance company money, they'll save you money. Just call it enlightened self-interest.



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Last year ROTC produced 12,000 highly trained, dedicated civilians.

ROTC's basic job is producing officers for the Army, the Air Force, the Navy and the Marines.

And it does. More than 23,000 young men last year.

Coming from college campuses, these men brought fresh approaches and new thinking to the military establishment.

Something else happened last year. Nearly 12,000 ROTC-trained officers returned to civilian careers.

Coming from military service, they brought maturity, technological know-how and leadership ability to the economy.

They were welcomed by employers, government agencies and anyone else needing men who know how to organize jobs and get things done.

ROTC is a unique national asset. When you think of it as a proven way to produce good officers, remember something else.

It's also a proven way to produce good civilians.



Presented by this magazine as a public service in cooperation with the Department of Defense, Washington, D.C. 20301.

SBA Report

Loan Plan Aids Meat and Egg Processors

A little-known program of the Small Business Administration is the making of Consumer Protection Loans to enable small intrastate businesses to conform to the provisions of the Egg Products Inspection Act, which incorporates the Wholesome Meat Act of 1967 and the Wholesome Poultry Products Act of 1968.

These loans, either direct or in participation with banks, are designed to assist small businesses to bring their plants up to the standards required by law.

To qualify, a firm must be small, as defined by SBA. This means no more than 250 employees for those engaged primarily in egg processing or preparation of prepared meat products or poultry dressing. Meat-packing plants are eligible if they have no more than 500 employees.

Other recent announcements from the Small Business Administration:

- Starting this fall, the SBA will provide up to 90 per cent guarantees of surety bonds for small contractors in a program designed to make it easier for them to obtain completion or performance bonds.

- An added service is now available to Chambers of Commerce and similar organizations interested in expanding the local economy. On request, SBA regional offices will furnish a community development liaison officer, along with a visual-sound presentation, to participate in local workshop seminars. The presentation explains how local development companies can be formed to qualify for SBA assistance. Loans up to $350,000 can be made for each small firm to be assisted by the development company.

- In fiscal 1971, which ended last June 30, SBA made a record 21,494 loans totaling $1.1 billion. This was an increase over the previous year when 15,102 loans were approved for $709.6 million. The 1971 total included 7,776 loans to disadvantaged firms for $213.8 million.

PANORAMA of the nation's business

By VERNON LOUVIERE
Associate Editor

That Clerk Could Be a President in Disguise

At a busy airport an impatient traveler waiting to rent a car tried to keep his cool, but the red-jacketed rental agent wasn't fast enough for him. The man appeared confused by the paper work he had to do. Finally, the customer blurted out:

"Just what do you do around here, anyway?"

"Normally, I would have passed it off, but I was steaming, too," says Winston Morrow, president and chief executive officer of Avis Rent A Car System, Inc. "'I'm the president,' I said."

The customer sized up the agent skeptically, leaned forward, and snapped, "Who's your dad? Chairman of the board?"

What the customer didn't know was that he was getting a first-hand look at what Avis calls "Visible Management," wherein every member of management, from the president on down, is required to spend



Winston Morrow

so many days a year behind an Avis counter renting cars.

"Since we make money on the line, away from our desks and closed office doors, it is vital that Avis managers keep familiar with the sound of a cash register ringing at the point of sale," explains Mr. Morrow. "Bigness, if you let it, can isolate executives from employees and customers. All Avis staff managers now know what it's like to be at the other end of their directives."

But there are embarrassing moments.

An Avis West Coast vice president, wanting a closer look at what a service agent's life is like, spent a day jockeying cars around San Francisco International Airport. His parting shot to his wife that morning was, "Boy, am I in for a rough day." He didn't explain.

A neighbor happened to be at the airport that day and caught a glimpse of the executive, in red blazer, taking possession of an Avis car from a customer and moving it to a parking lot. The neighbor arrived home early and told the Avis man's wife what he had witnessed. Until she learned better, she was convinced that her husband had indeed had a rough day—that he had been demoted.

A Productive Approach to Social Programs

"It is a regrettable fact, but many administrators of our governmental and social institutions do not know what they are supposed to be doing. And when they do know, they rarely have the management skills to make their programs successful."

So says David F. Linowes, national partner in the auditing firm of Laventhol Krekstein Horwath & Horwath.

Much of this could be corrected, according to Mr. Linowes, by introducing what he calls "socio-economic management." He explains:

"The accountants in government can serve as the catalyst to bring together agency administrators with sophisticated management principles which have been correlated to social science techniques."

Businesses effectively use management, control and evaluative principles which government and social institutions should be using, but are not, Mr. Linowes says.

As a result of "confused goals," he asserts, too many educational institutions are merely diploma mills, and too many poverty agencies are just food and shelter distributors.

Mr. Linowes says Congress, along with the poverty agencies, has fallen into the habit of thinking of welfare programs in terms of the number of people being fed, clothed or housed—or the amount of dollars being given away. But, he says, "Our objective in welfare really is making people self-sufficient, employable, happier through self-respect. Those responsible for the purse strings never apply this kind of standard to our outputs. Yet, this is what we should evaluate for our welfare dollar spent. These results are measurable."

Mr. Linowes goes on to say that business, in order to arrive at the highest profit, keeps trying various combinations of raw materials, productive tools, advertising, packaging, research and development efforts, and distribution techniques.

"Why shouldn't social institutions also plan and experiment with various input mixes in order to arrive at the most effective output?" he asks.

"We must treat social programs as products with social values."

continued on next page

How to Cope with Critics

There is hardly an American business without its critics. The problem is how to respond effectively.

C. B. McCoy, president and chairman of the board of E. I. du Pont de Nemours and Co., has some useful tips on reaching those critics who genuinely believe in reform instead of revolution. Mr. McCoy believes business should try to:

- Improve its knowledge and understanding of the ever-changing social scene.
- Identify carefully those areas where it can help, then proceed to do what it can to solve particular problems.
- Anticipate problems better and eliminate grounds for legitimate criticism by continuing to raise its own standards of performance.
- Push for more discussion on the issues themselves and, to the extent that it has any control over the matter, stick to the facts.
- Communicate more about what a company stands for and what it's doing, both as an individual company and through its trade associations.



C. B. McCoy

If all these fail, says Mr. McCoy, the sixth and last suggestion is "to keep cool and let the less important criticism roll off our backs. We'll take some bumps and bruises, but if we can reach a point where our critics see that the business community really is trying to help build a better society, we'll do all right."

Mr. McCoy is strongly in favor of responding to critics but he cautions against being overly defensive. Criticism of business is not new, he points out, and many other institutions are also now under attack —universities, churches, and the military, the courts, regulatory agencies and other segments of government.

"To be sure, a lot of bricks are being thrown at big business in particular; but they are not all aimed to kill," Mr. McCoy notes.

"Some of the people throwing them are only trying to get our attention. Some of the criticism is justified, constructive, and maybe overdue.

"Our record isn't perfect, and even though our critics tend to be a little heavy-handed, it's safe to say that most of them want to keep the system we've got and make it work better."

In terms of what the critics are asking, the Du Pont executive explains, it is necessary to make a distinction between business as the primary target and business as a target of convenience.

"When the questions revolve around our products and services, there is no confusion about targets, and not much doubt about what to do," Mr. McCoy says. "The only response that will work is to identify inadequacies where they exist, and improve performance."

The Hats Worn by a Company Head

Any company president who thinks he wears only two or three hats in the course of a business career is dead wrong, according to Willard F. Rockwell Jr., president of North American Rockwell Corp.

The fact is, Mr. Rockwell says, he wears 12 hats in all: skipper, pioneer, soothsayer, impresario, marathon runner, lord chief justice, student, reporter, coach of champions, crusader, miner and supersalesman.

Mr. Rockwell has written a highly entertaining and informative book titled, naturally, "The Twelve Hats of a Company President."

He says in the foreword:

"These hats represent roles. Each covers a multitude of psychological nuances, offbeat techniques and little known strategies of successful executive leadership. No hat is for the timid, because business is no pink tea party. They are to be used. Sometimes one will be enough to 'bring home the coonskin.' Sometimes two, three or four must be worn. Many's the day when I have worn all 12 hats at once. The big trick is to juggle the hats."

Some of the subtitles indicate the flavor of Mr. Rockwell's book, which has been published by Prentice Hall. Consider, for instance, "The Case of the Ivory Tower," "What Goes on in the Captain's Log" and "How to Face a Big Day." Or, "Dare to Be Different," "Get the Wheels Turning and Keep Them in Motion" and "Give Your Dreamers Time to Dream."

On a particular day, the author recalls, he shifted roles three or four times in a matter of hours. He explains, "One moment I was judging the abilities of a potential new division head; next I was exploring new processing techniques with our research and development chief; later I was selling the owner of a small company on joining forces with us."

Still later, an associate who had been with him all day commented to Mr. Rockwell, "Al, you wear more hats than Red Skelton."

Business is really pleasure to Willard Rockwell. He explains:

"It is by far the most fascinating job I know. I've bagged rabbits with a .22 and I've hunted elephants. But the biggest game I know is business. That's where you get the fast results of decisions, the endless opportunity to test yourself, the daily chance to contribute something good out of your own abilities."

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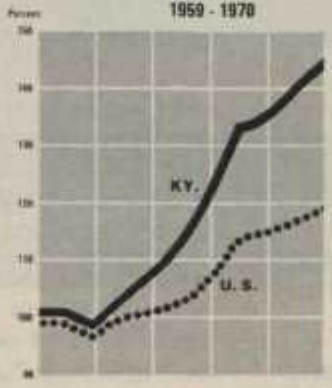
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Governor

Sound Off to the Editor

Should Each of Us Be Given Just One Number?

How many numbers do you have?

Most people have numbers for their bank accounts, Social Security accounts, driver's licenses, charge accounts, credit cards, office payroll records, and more.

How many can you remember—instantly?

There have been suggestions that everyone be assigned just one number and that it be used for all the identification purposes for which those numerous numbers are now used.

Last January, the Dutch adopted something like this system. And beginning in 1973, everyone living in West Germany will receive a 12-digit number which will be drawn up from date of birth and other vital statistics. That figure will stick with a citizen from cradle to grave and will be used as identification in a wide variety of ways.

In this country, the Army and Air Force now use Social Security numbers as service serial numbers, and the Navy intends to do the same. Other organizations also use Social Security numbers for basic identification. At many colleges, for instance, they are master enrollment symbols, and if students don't have them, they must be obtained before admission.

Those who advocate a "one number" system say it would really make life more simple. You could memorize the number and not have to worry about a dozen others. Many advocate assigning Social Security numbers at birth as the easiest way to begin the change-over.

But not all people like the idea. Many contend that numbers are impersonalizing society, and that the change would only accelerate this undesirable trend.

Others say it would be too much trouble and too expensive to switch numbers and to coordinate the process.

What do you think?

Should each of us be given just one number?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should each of us be given just one number? ☐ Yes ☐ No

Comments:.....

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Sound Off Response

If They're Old Enough to Vote . . .

Now that those 18 to 20 years old have the vote, they should also have all the other legal rights—and responsibilities—of adults.

That's the opinion of a majority of NATION'S BUSINESS readers who responded to last month's invitation to "Sound Off to the Editor."

The question was whether the newly enfranchised voters should have adult status in all respects—owning property in their own names, suing and being sued, entering into contracts, marrying without parental consent, buying and drinking liquor and all other actions for which 21 has generally been the minimum legal age.

The prevalent view of the majority is a hope that conferring adult status at 18 would thrust upon young people a sense of responsibility for the consequences of their own actions.

Other replies generally reflect the feeling that a person old enough to be called upon to fight and possibly die for his country is entitled to share in the full benefits of its citizenship.

Still others say today's generation has an educational background and maturity lacking in earlier generations.

Those on the negative side of the question contend that 18-year-olds are still too immature, too dependent upon parents, without sufficient goals in life, and not entitled to full rights until they assume such responsibilities as paying taxes and working for a living.

Several readers on both sides of the full-rights issue hold that lowering the voting age was a serious mistake.

Those favoring extension of other rights say that the young voters now should have to assume full responsibility and liability, if any, for laws made and other decisions resulting from their votes.

Those opposed to extension of legal rights say that step would only be compounding what they see as the original mistake of lowering the voting age.

One of those favoring full legal rights at 18 is L. F. Bartels, president, Natural Resources Development Inc., Lander, Wyo. He says young people should not only be given those rights, but "should be required to accept the responsibilities and duties of adulthood along with the rights and privileges.

"To make them fully responsible as adults will do more to make them realize the necessity of doing things under normal legal means rather than trying to accomplish radical change by demonstrations."

"If they are old enough to have the authority which goes with a vote, they are old enough to accept the responsibilities of full citizenship," says W. B. Jones, senior vice president, Mercantile Trust Co., St. Louis, Mo.

From A. N. Ulrich, president, Arthur N. Ulrich Co., Columbus, Ohio: "I don't believe the average 18-year-old has the experience and/or maturity to vote. However, since this is now a matter of history, I feel that . . . if they're old enough and mature enough to vote, they must be old enough and mature enough for all legal rights and responsibilities—or else the country really goofed on the Twenty-Sixth Amendment."

James C. George, secretary-treasurer, Prairie Tubular Rivet Corp., Markesan, Wisc., writes: "When you have the privilege of voting for those men and women who make the law, you must be fully responsible to that law."

On the other side of the argument, A. Dean Worthington, president, Bothell State Bank, Bothell, Wash., comments: "As a parent and close observer of 18-year-old youths, I feel that, with few exceptions, persons of this age have not matured or seasoned enough through experience to assume full legal rights or to vote intelligently."

The Rev. Gerald R. Ackerman, pastor, St. Andrew's Methodist Church, Bethesda, Md., says today's young people "are more widely read, but they have not grown in wisdom and maturity of judgment. In fact, I would say there is less of this among the young than in former times."

Several of those responding in the poll give their ages to help explain their views.

Donna Stiles, 18, a student at San Antonio, Texas, Commercial College, contends those in her age group "should be given full legal rights because it gives us responsibility and something to strive for. I don't think we can be held responsible for all the rejection of values. Not all of us are that way."

Kerry Swink, 21, both a college student and owner of an auto supply business in Mohab, Utah, casts a No vote, saying: "The founders of this great and prosperous nation did a considerable amount of study and research and came to the opinion that 21-year-olds were more able to cope with the problems existing then just as they exist today."

Billy M. Cary, 31, vice president, Bank of Huntingdon, Huntingdon, Tenn., votes Yes, stating: "Today's 18-year-olds are much more advanced than myself and peers were at that age. Certainly I feel that one who is old enough to be drafted should be given the privilege of voting."

W. Jeff Keirns, 29, executive director, National Glass Dealers Association, Washington, D. C., says "the vast majority of 18-year-olds are more mature, better prepared and better educated than when we went to school."

L. R. Waterman, assistant manager of the Chamber of Commerce of Manhattan, Kans., sees it similarly: "At every age level, childhood through adolescence, this generation is more knowledgeable in more areas than their parents' generation at the same age. Today's sophomore in high school really outstrips the college sophomore of my generation."

But Jacob R. Haffner, plant manager, Oshkosh B'Gosh, Inc., Columbia, Ky., writes: "My years of experience with my own children—in the business world, church work and law enforcement, together with the very vivid recollection I have of how confused and uncertain I was at age 18—have convinced me, beyond any doubt whatever, that these young people don't really know their own minds or selves at that age."

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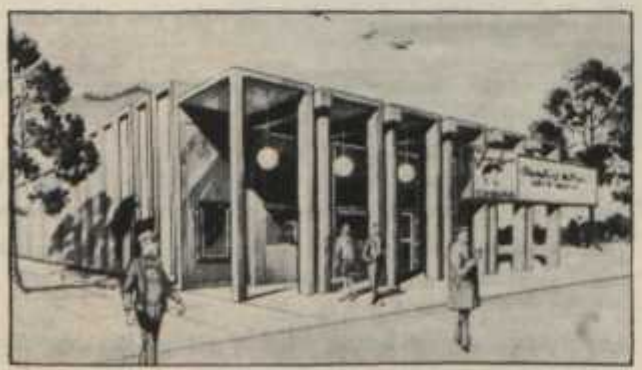


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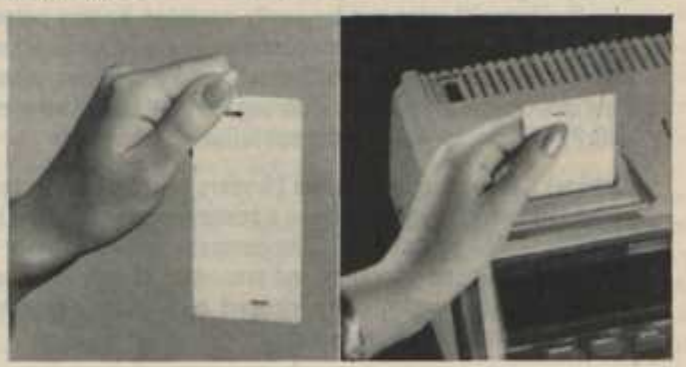
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3. Interest Compounded Quarterly $S=P(1+i/4)^n$	13	4	30% per problem
4. Standard deviation $\sqrt{\frac{n\sum x^2-(\sum x)^2}{n^2}}$ $n=6$	41	14	70% per problem

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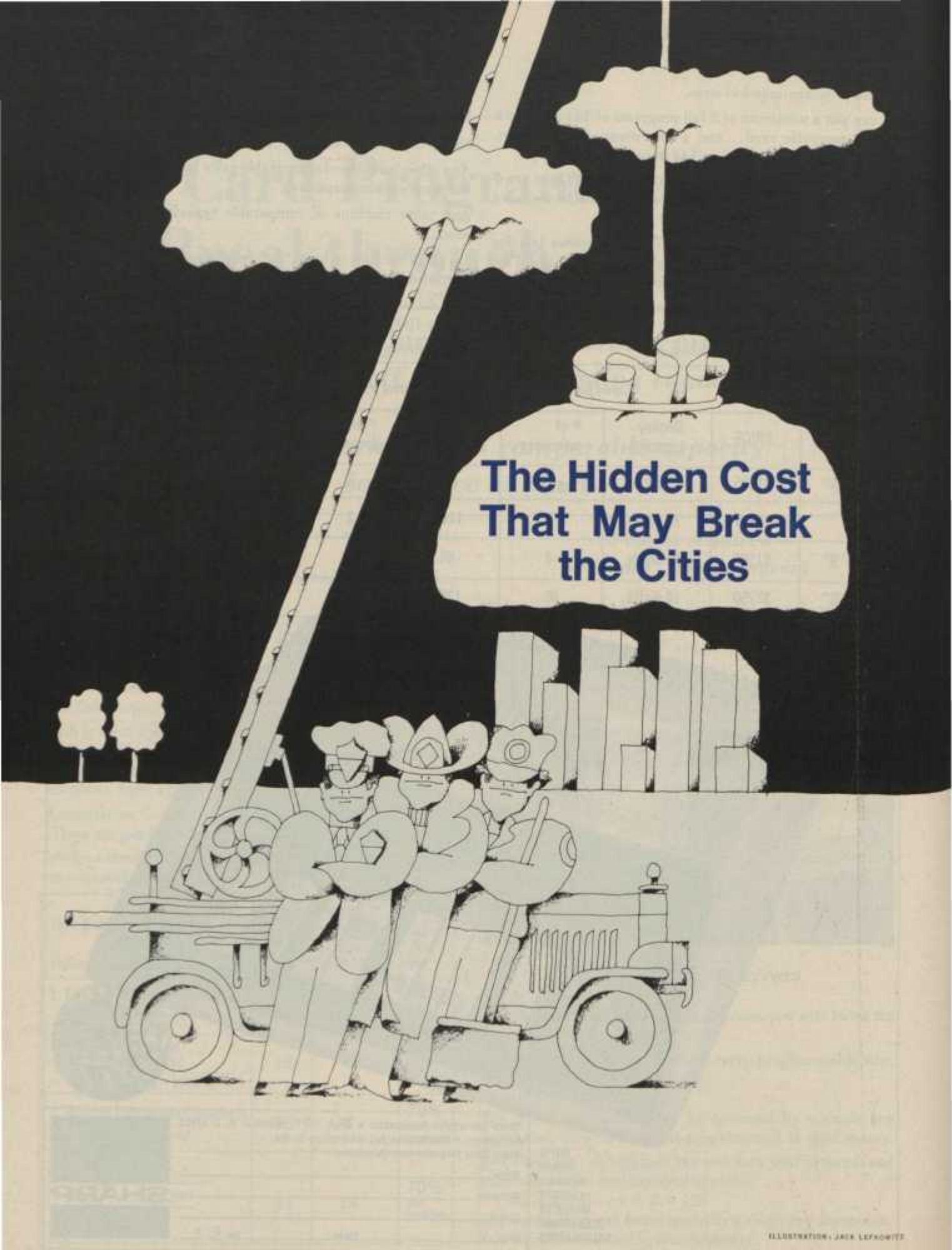
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The Hidden Cost That May Break the Cities

ILLUSTRATION: JACK LEFKOWITZ

In 1946, the city of New London, Conn., established a generous pension plan for its employees at no cost to them.

C. Francis Driscoll, city manager there for the past two years, had no role in that decision of a quarter of a century ago, but declares ruefully: "It's my war now."

He's typical of the thousands of state and local officials grappling with what is rapidly becoming a major problem for government and for taxpayers—the runaway costs of public pension systems.

Those officials are struggling to meet current costs of commitments made years ago, often with little or no concern for the magnitude they would reach or how they would be financed.

Many pension plans have not been funded in a manner that will guarantee that future obligations will be met. Some are not funded at all and payments to retired employees come directly out of current operating revenues.

In either case, there is only one source to turn to for the increased money needed to meet the rising costs: The taxpayer. He's now paying nearly $5 billion a year to finance the employer cost of contributions to some 2,165 state and local government pension programs. That cost is soaring; 10 years ago, it was $1.8 billion.

Alfred Parker, executive director of the Tax Foundation, warns: "From the taxpayer's point of view, many pension systems look like so many icebergs with their potential costs hidden in the not too distant future."

New London is one example of a lack of foresight in pension planning. Its plan was never funded. So payments to retired workers are made directly out of revenues each year.

The cost has jumped from less than $100,000 in 1950 to nearly $350,000 in the current fiscal year. That's 10 per cent of locally raised tax revenues for general government.

Unless the pension plan is funded, says Mr. Driscoll, the yearly outlay could double or triple in future years. But city officials were jolted when an actuarial study showed it would cost $700,000 to $800,000 a year for the next 30 years to achieve proper funding. And that money could come only from a whopping increase in local taxes.

While New London struggles with its dilemma, the classic example of pension problems on the grand scale remains in New York City.

Manhattan's problems

Remember those pictures of the yawning drawbridges that left hundreds of thousands of motorists snarled in traffic jams on a sweltering June day?

The traffic was eventually straightened out but the underlying issue will continue to pose a major problem for New York City's taxpayers and a danger signal to taxpayers everywhere.

The bridge tenders walked off their jobs in support of bigger pension demands from one of several unions of city employees.

The city's contribution to the various pension plans soared from $214.8 million in the 1961 fiscal year to $619.4 million last year. It is expected to reach $750 million by 1974, even if pending demands from workers for even more generous benefits are rejected.

It's not just New York's problem, says a prominent business leader there.

"Businessmen everywhere have got to be concerned about the rising cost of public pensions," in the view of Thomas N. Stainback, executive vice president of the New York Chamber of Commerce.

The same militant unionism that brought about the New York situation is spreading to state and local government employees in many other parts of the country, he points out.

Mr. Stainback sees these business-related factors in the burgeoning public employee pension programs:

- As substantial taxpayers, businessmen will feel a direct financial impact as the expansion and liberalization of public pensions puts strong new pressures on "the ever-increasing cost of government."
- Business will have to compete for qualified employees with governments that offer early, lucrative retirement benefits.
- Early retirement provisions in public pensions lead to "a great loss of personnel who are at their highest point of productivity," with consequent damage to the municipal services businessmen need and, to a great extent, finance.
- Every liberalization in public pensions will someday be reflected in demands unions make on private employers.

"Government is the fastest growing segment of the economy," Mr. Stainback says. "The salary and fringe benefits are much more favorable for an individual in government because the costs are passed on to the taxpayer.

"A company concerned about a competitive position has to be far more careful about its financial commitments. Industry has to look on them from a profit and loss viewpoint. Politicians just pass on the costs, particularly when they are making long-range agreements they won't have to worry about financing themselves.

"Some poor joker who comes along in the future is going to have to worry about the costs. This is political bargaining, not collective bargaining."

How they've grown

The sheer size and growth rate of state and local pension programs in the last 15 years is awesome:

The number of workers covered has climbed from 3.8 million to eight million. Receipts—employer and employee contributions plus return on investment—are now over $10 billion a year, up from $2.2 billion.

Financial assets have risen from $13 billion to more than $60 billion.

By 1975, it's estimated, more than 10 million public employees will be covered by plans taking in over $16 billion a year and which have total assets of $90 billion.

The public pension programs represent the fastest growing pool of capital in the country today. These funds will play a major role in investment and other capital markets.

Appraising public pension systems, the Tax Foundation says:

"The provision of employee pensions brings government a number of basic problems.

"Questions of mounting costs, changes in administrative structure, actuarial soundness of the systems,



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Hidden Cost *continued*

the responsibilities of investing larger and larger holdings—all these and more confront the government employer."

From the taxpayer's standpoint, the vital element in public pensions is the government contribution.

In the last decade, the tax-financed contributions of the government employer has hovered in the 46-48 per cent range, while that of the employee has dropped from 3 to 28.3 per cent.

In the same period, earnings on investments rose from 19 per cent of total pension revenues to 25 per cent. That gain worked out almost exclusively to the benefit of the employee. Little or none of the increased earnings went to ease tax pressures.

Cost to the taxpayer

And those tax pressures are considerable in both big states and small. Here are some figures for last year.

In New York, state and local governments contributed nearly $1.1 billion to public pension plans. Employees contributed $224 million.

In Michigan, government contributions totaled $253 million; employees contributed $104 million.

The District of Columbia government put $25.9 million into pension programs. Its employees paid in $9 million.

In Tennessee, the governments' share was $51 million, against $24.8 million from employees.

The burden was distributed more evenly in some states, however.

In Mississippi, for example, employees paid $18.4 million, while the governments' payment totaled $19.8 million. Texas governmental units paid in $128.5 million, while employees paid $121.1 million.

Basically, however, it's the local taxpayer who pays both the government employer's and employee's share. And he pays on a dollar-for-dollar basis. There is no federal aid to help finance state or local pensions.

The long range impact for taxpayers can be gauged from what's happened in the past 20 years. The number of state and local government employees has shot up from 3.8 to nearly nine million and total payroll, a key factor in setting pension costs, has jumped from $10 billion a year to over $60 billion.

That's a gain of 500 per cent.

As the number of public employees grows, so does union membership. And these unions are becoming increasingly militant, with fatter pensions among their prime goals.

Says the Council of State Governments: "We have seen that unionism is on the rise, that it tends to be more militant than in the past and that there is no legal way, or few practical ways, to stop it."

But are taxpayers going to be willing to keep meeting the ever-increasing need for more and more money to finance public pensions?

Rep. Martha Griffiths (D.-Mich.), chairman of the fiscal policy subcommittee of the Joint Economic Committee of Congress, commented at a hearing on pension funds:

"My personal opinion is that since all of us are public employees the day is going to come when the next revolution is going to be by those who oppose the payment to a favored group of public employees of pensions that are so much greater than anything they will ever get themselves. . . . I feel that this is one of the great burdens that is being borne by American society."

How long will they take it?

Growing demands of New York City businessmen for restraint in further broadening the city's pension plans are among the early signs that taxpayers are becoming increasingly aware of the true costs involved.

The hothouse growth of pension costs to New York City dates from 1963, when the legislature passed a law allowing policemen and firemen to retire at half pay after 20 years' service, regardless of age.

The size of the pension was to be based on the final year's pay, including overtime.

The same retirement benefits were later extended to sanitation workers who clean the streets, collect refuse and man snowplows, and to employees of the city-owned subway and bus systems.

Pension costs were further inflated, during the 1960s, when salaries of all city workers shot up.

Top pay for a patrolman is now $12,096 a year. If he joined the force at 23, he's eligible to retire at 43 with an annual pension of more than $6,000.

The provision for including overtime when computing the size of an employee's pension created some highly unusual situations.

Last year, more than 40 subway motormen, with a base pay of $10,020, made another $10,000 in overtime.

Any of them retiring this year would do so with a pension equal to their full regular salary.

A fireman who worked eight hours' overtime in his last year before retiring at 45 with 20 years' service would be paid $76.08 for those eight hours. But, if he lives to be 75, he'll collect an extra $1,141 in pension payments as a result of that overtime.

Full pay after 25 years

New York City's policemen and firemen now are pressing for retirement at full pay after 25 years on the job, with substantial increases in base pay.

The State Legislature and New York City finally conceded the seriousness of the problem this year. The Legislature set new restrictions on pensions, including a limit of 20 per cent on the amount of overtime that could be counted toward annuities.

The changes will not, however, be retroactive. Thus the city for many years will have to meet financial commitments made under the previous rules.

New York City's example helps drive home the Tax Foundation's advice for state and local officials everywhere:

"Relatively little public attention has been directed to this particular area of government expenditure, perhaps on the assumption that nothing can or should be done about the levels of outlay.

"As pension systems grow larger and larger, the moment cannot be far off when taxpayers in each state and locality must face the fact that governmental pension programs require careful and continuous scrutiny if the many issues are to be resolved equitably and costs kept to reasonable levels."

END

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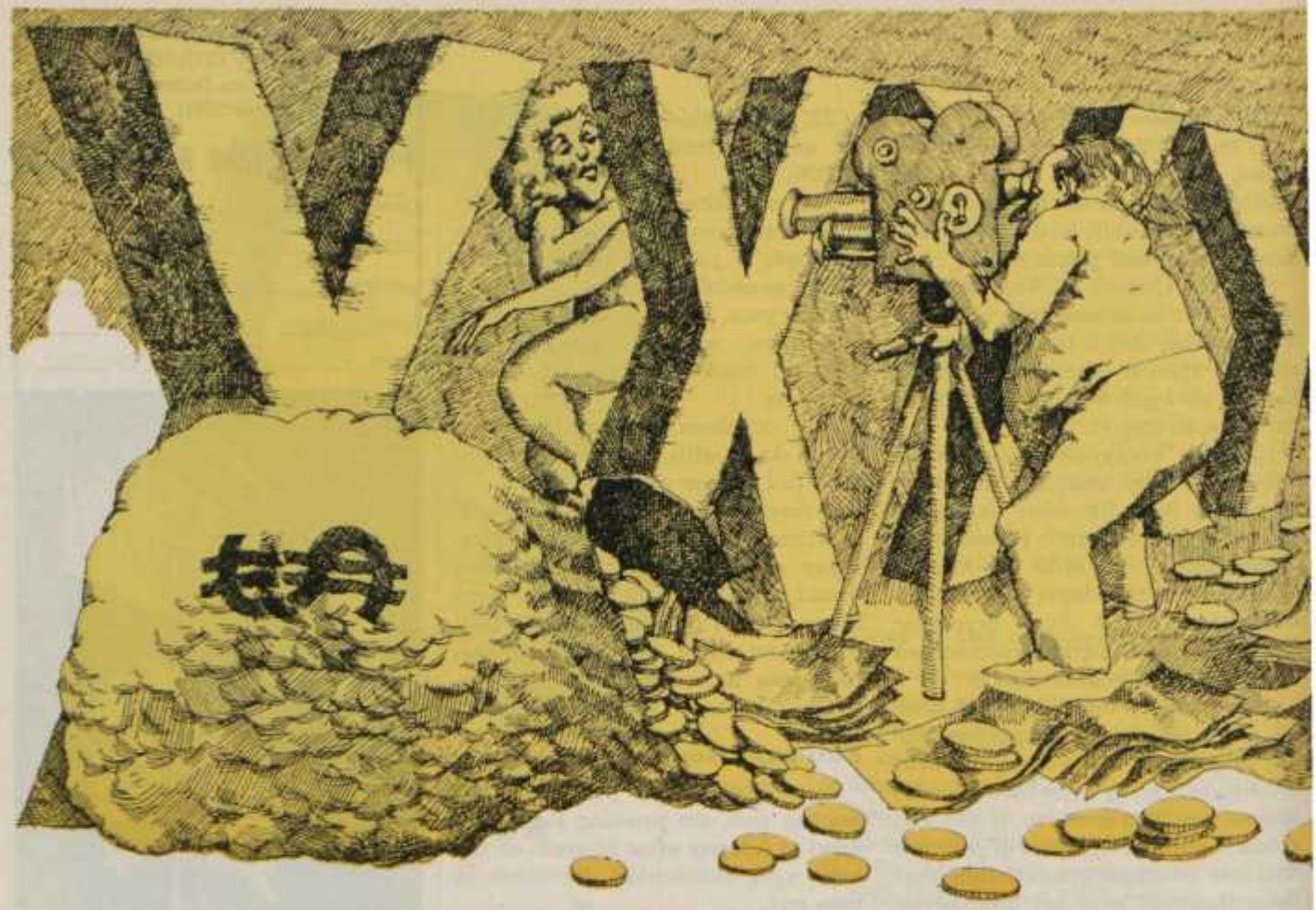


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AN APPEAL FROM THE HEAD OF THE U. S. POSTAL SERVICE:

Let's Put the Smut Merchants Out of Business

BY WINTON M. BLOUNT
Postmaster General

The first thing that must be understood about smut is that it is a business.

It is a very large business because, though it requires limited capital, it permits enormous markups and therefore enormous profits. According to a recent news article, a $2 reel of eight mm. color film will sell for $40 as pornography.

The profits are so high, in fact, that the costs of almost any conceivable legal difficulties under present laws can be included as a virtually negligible part of the already rather negligible overhead.

Pornography is profitable, finally, because it appeals to human weakness in ways which are difficult to define in law, and in a time when the question of civil freedoms—including the freedom of self-abasement—is undergoing lengthy re-examination by opinion-makers in America.

I have faith in the ultimate good sense of even the leaders of America's periodic fads in what passes for thought. But on the evidence alone, I also believe the pornographers can make maximum use of this period of confusion in American jurisprudence.

A great deal of conceivably irreversible damage is being done to the quality of American life. The ultimate irony, of course, is that it is being done under the protection of the First Amendment to the Constitution, originally conceived as the ultimate defense of social, cultural and political quality in American life.

In the shadow of the provision that Congress shall "make no law . . . abridging the freedom of speech or of the press," the dirt merchants have erected a multimillion-dollar empire dedicated to, and predicated on, human degradation.

America's postal system has been used as a major link between the producers of pornography and their buyers.

The number of dealers in mail-order pornography has increased in recent years to something over 400.



ILLUSTRATION: JOHN HEIMLY

Of that number, however, only about 20 at any one time are considered major dealers. These are big-league operators, who use direct-mail advertising on a scale comparable to the nation's large mail-order houses.

They regularly send two and three million advertising pieces into American homes during an advertising campaign, frequently with little or no discrimination as to the recipient. As a consequence, young children are commonly subjected to printed and graphic matter of the vilest sort.

However liberal or permissive the protagonists in the pornography issue, it is rare to find anyone willing to argue that smut has a salutary influence on impressionable minds. To the contrary, in any discussion of the problem of pornography, the potentially adverse effect of pornography on the young inevitably emerges as a central issue.

Ultimately, however, the effect on children is not the real question. The real question is, or ought to be, the effect of pornography on any human being, and on the civilization of which each human being is a member.

What it's all about

If we consider for a moment those values which underlie our country's institutions, we find that what America is all about can be summed up in two words: Human dignity.

We seek freedom for our people because freedom is the condition most conducive to human dignity. For the same reason, we seek security—and prosperity; poverty crushes the human spirit.

At our best we honor diversity—because the right to be what he chooses, to act and live as he chooses, is vital to the dignity of the human being.

As a people we believe each man has a spark of divinity within him; we accept the sanctity of the human spirit and of the human body. And as we preserve and sustain these, we preserve and sustain human dignity.

As we violate these for sensation or for profit, we act against the dignity of man, and against all that we have struggled to build for more than two centuries on this continent.

So pornography is not simply a threat to the best interests of our children. It is an act of violence against the human spirit.

Nevertheless, it is being proposed with disturbing frequency that pornography be legalized.

The arguments of those who favor such a course are numerous and, frequently, specious. One of the most compelling, and least credible, is the argument that censorship of pornography violates the First Amendment's prohibition against interference with freedom of speech and of the press.

If this prohibition were absolute, the argument would be sound. But First Amendment freedoms are not absolute.

It was Justice Oliver Wendell Holmes who pointed out that the

Let's Put the Smut Merchants Out of Business *continued*

First Amendment would not protect a man who falsely shouted fire in a crowded theater. Such an act created the sort of clear and present danger that Congress has not merely the right, but the obligation, to prevent.

In a different way, but to the same effect, we have laws against libel which make freedom of the press relative—not absolute.

The argument that pornography cannot be censored without destroying our civil liberties is fundamentally wrong. We have censored pornography since the nation was established, and there is no evidence of adverse effect on our civil liberties.

There is the argument that we cannot be sure pornography has an effect on children. But if we are to take this seriously, we then must ask if any book—if any picture—has an effect on children. Indeed, such a position questions the effect of education itself, for education asks that a child respond to what he is exposed to.

At the risk of appearing simplistic, when we suppose that a good book has a good effect on a child, must not the concomitant supposition be that a bad book has a bad effect?

Just in the beholder's eye?

The libertarian retort to reasoning of this nature is that it contains a value judgment. The accusation is that filth is in the eye of the beholder and that those who think pictures of people making love are "dirty" must be people with dirty minds.

Without violating the purity of that touching bit of naïveté, let me make it clear that "people making love" is not what pornography, circa 1971, is all about. The material in question involves graphic and literal depictions of beatings and other torture for sexual gratification, mass fornication, and bestiality—to name just part of what is under consideration here.

This dismal catalog is by way of indicating that we are not concerned here with "September Morn," but with the most vile, distorted and degraded representations of abnormal and dehumanized behavior.

Are we then willing to accept—in the service of a specious argument about the limits of civil liberty—the argument that we cannot be sure pornography has an effect on children, and that therefore it ought not to be prohibited?

We have the argument that there is no evidence that pornography has an adverse effect on adults. While it may be difficult to establish a cause and effect relationship between an antisocial act and an avid interest in pornography, it is certainly possible to suggest that an inclination toward antisocial behavior may be reinforced and even encouraged by pornography.

In the course of investigating and prosecuting cases for illegal use of the mail, the Postal Inspection Service is constantly exposed to those who traffic in pornography. We find those who enjoy pictures and stories of sadistic behavior and masochistic behavior and who indulge themselves in this behavior.

Which came first—the pornography or the practice?

There is a pornographer who uses preteen-age boys in lewd poses for his productions. He has previous sodomy convictions; the record shows a history of indecent behavior with children.

Is there a cause and effect relationship here? And is it necessary to establish a cause and effect relationship before we can agree that he shouldn't be producing pornography with children—or with anyone else, for that matter?

We have the couple who used pornographic material to seduce a young girl. Was pornography a critical factor here? Or would the seduction have occurred anyway?

These are things we are told cannot be determined. I find that difficult to believe, but perhaps it is true. If so, it is because research looks for an absolutely scientific precision in making a determination.

In the clinical context, that is proper. But the potential effect of pornography is not solely of scientific consequence. And the decision to have it or not to have it is not properly a scientific decision. This is a matter of social, political and cultural consequence.

Some have seriously argued that pornography may have a beneficial effect. This is the theory of catharsis; it maintains that pornography provides a harmless outlet for sexual energy which might otherwise be expended in some objectionable manner.

Fishy report from Denmark

The logic of this position would require that sex crimes should go down as the availability of pornography goes up. All the evidence indicates this doesn't happen.

It is well known that Denmark has lifted certain restrictions on pornography. This has had a dual effect on the United States. It has, on one hand, substantially increased the flow of pornographic material coming into the country. And it has, at the same time, increased the pressure from proponents of the legalization of pornography in America.

Those who argue for legalization make the claim that there has been a drop in the sex crime rate in Denmark.

The evidence suggests that this is largely a statistical trick. Pornography used to be a crime there and now it isn't. Therefore the crime rate dropped.

Statutory rape used to be a crime there; now it isn't. So this contributed to the drop in the crime rate.

Minor crimes, such as indecent exposure, are scarcely even reported.

The "crime rate" argument is a misleading and foolish bit of whimsy. Postal officials have gone to Denmark and talked to the authorities there and found the real sex crime rate has not dropped.

Finally, in the past decade, some of our courts have been persuaded that the virtual impossibility of defining pornography precisely is sufficient reason for granting absolute license.

But there are few, if any, precise definitions in Western jurisprudence. What mathematical formula identifies a "preponderance" of the evidence in a civil suit? At what precisely defined point is guilt established beyond any "reasonable doubt"? And what is a reasonable doubt? What is an unreasonable doubt?

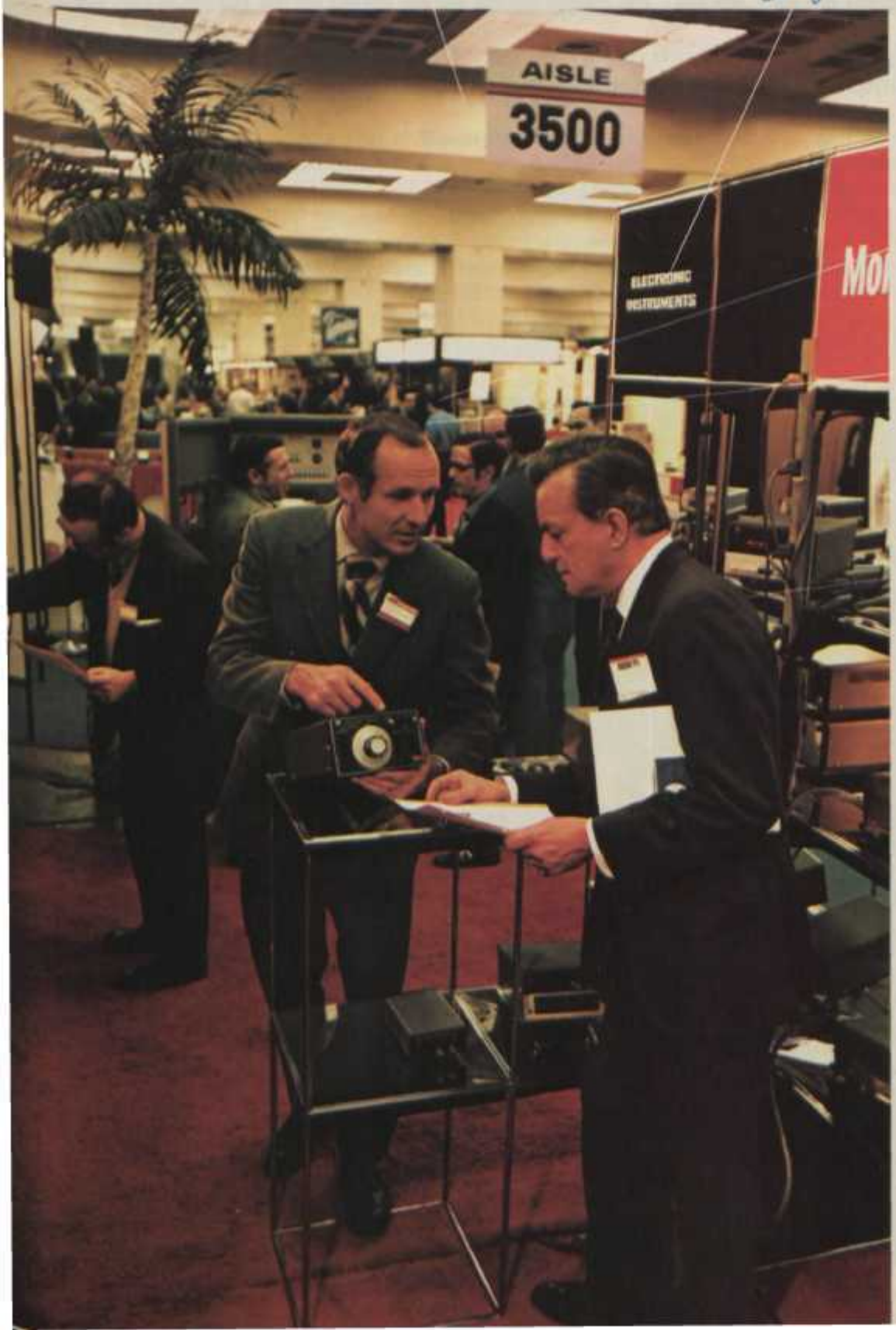
There is a problem here, certainly. We are giving fallible men the responsibility for making judgments that go to the heart of our democratic freedoms.

But it is difficult to suppose that,

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Smut Merchants *continued*

by weighing the content of a work and the apparent intent of its creator and purveyor, we cannot tell what is pornography and what is not. And where we cannot tell, then let the presumption be in favor of the contested work, and we will still be adequately protected.

The tunnel vision which puts the focus of the defense of pornography on the First Amendment to the Constitution obscures the larger purpose of the Constitution, which is stated at the very outset: "We, the people of the United States . . . in order to . . . promote the general welfare . . . do ordain and establish this Constitution. . . ."

If there is anything conducive to the general welfare in the common availability—or, more precisely, the general unavoidability—of the most repulsive filth imaginable, it escapes me. It apparently doesn't escape some of our courts, unfortunately.

Not at any price

Perhaps the single greatest contributor to the problem is that fact cited at the outset: Pornography is a very big business. So we have to find a way to reduce the profits of that business and make it impossible for it to operate at any price.

At this point the matter remains in contention, but we are making progress in the courts against pornography, and the Postal Service has been a key factor in bringing these cases to the courts.

The United States Supreme Court recently handed down two important decisions in this area. In the first case (U. S. vs. 37 Photographs), the court upheld the constitutionality of a customs statute that provides for the forfeiture of obscene materials coming into the country from abroad. In the second (U. S. vs. Reidel), the court again upheld the constitutionality of the Postal Obscenity Statute, which makes it a federal crime to send obscenity through the mails.

This is the same statute under which a notorious California dealer in pornography was convicted in 1968. He filed an appeal, however, and continued his mailing. The Postal Service developed new evidence and he was indicted again in September, 1969. Last September, in a significant victory against pornography, the Court of Appeals of the Ninth Circuit Court in San Francisco upheld the 1968 conviction. In February of this year, the man was convicted on the second indictment. He now faces a total of seven years' imprisonment and $67,500 in fines against him and his corporation.

So the Postal Service is putting a great deal of effort into this battle, and we are having some success.

The President's program

In addition, the President has thrown the full weight of his office into the struggle. He has asked Congress to make it a federal crime to put into the hands of anyone 18 years old or under sex materials that are unsuitable for people of that age; to make it a federal crime to exploit a prurient interest in sex through advertising; and to broaden the ability of the homeowner to prevent sexually-oriented advertising material from entering his home through the mail.

Now Congress has begun to respond; it has passed legislation that enables homeowners to protect themselves from unwanted sex-oriented advertising, and it is, we hope, going to enact the remainder of the President's legislative requests in this area.

But the deciding factor is going to be the American public. If the people decide against pornography, we can do away with it. If we refuse to patronize the pornographer, we can put him out of business. Movies show violence because it shows a profit. They show cheap sex because it shows a profit. It is the same with all media. If it isn't profitable, it doesn't play.

I am not suggesting a witch-hunt. It is certain that a lot of heavy-breathing crusaders are waiting in the wings for the call to arise.

I think we can, and must, do this job without bringing the lunatics and smear artists out of the woodwork.

Pornography is a symptom of decadence. This is the judgment of history. Civilizations, from ancient Rome to Germany in the 1930s, have turned in their decline to sensationalism, to exploitation of man's sexual nature, and to indifference to his humanity.

We are not taking this road.

America has a covenant with the future. We are going to keep it. END



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Contact Henry Maddox, Division of Commerce and Industrial Development, Jefferson City Mo. 65101. (phone 314-636-5133)

America Must Have the Alaskan Oil

Oil companies have bent over backwards to meet the demands of ecologists and federal agencies—now, hopefully, they can build a pipeline to tap the rich Alaskan fields



Rarely has oil been found under conditions as rugged as those at Prudhoe Bay. Winter temperatures go to 50 degrees below zero, the wind cuts like a knife, rivers serve as highways and men can freeze in minutes.

Ten thousand empty oil drums litter the tundra around Umiat, a squalid abandoned oil camp on the far North Slope of Alaska.

Disintegrating houses, Quonset dormitories, recreation shacks, sheds, shops, garages, even a control tower for a gravel airstrip, stand out from the landscape like signposts telling you that uncaring, selfish man lived there.

Hundreds of decaying vehicles, ranging from oversized bulldozers and huge mobile cranes to trailer trucks, dump trucks and automobiles, sit precisely where they were left by oil drillers who suddenly called it quits.

In the mess hall, dirty plates still sit on the tables that the oilmen walked away from in the mid-1950's. Outside the camp, an old garbage dump is still an eyesore.

Umiat was a $43 million financial disaster that has become an ecological nightmare.

But, this disgrace to the environment wasn't the responsibility of private oil companies. The federal government, which now bears down so hard on the oil giants who are developing the Alaskan fields, must shoulder the blame for Umiat.

Oil exploration teams under the direction and control of the U. S. Navy did the damage.

The government discovered only a small supply of oil, but private companies found a vast field of fine low-sulphur crude.

Since January, 1968, private oil companies have discovered at least 15 billion barrels of oil reserves at Prudhoe Bay, near Umiat. For the last two years they have sought permission to build a 769-mile, $2 billion pipeline across Alaska from Prudhoe Bay to Valdez to bring out the crude which is urgently needed to prevent a national energy crisis.

Later this month, or early in October, Secretary of the Interior Rogers C. B. Morton is expected to tell the oil companies they have satisfied him that a safe pipeline and an adjoining service road can be built without undue harm to the environment. Those

STERLING G. SLAPPEY, *author of this article, is senior editor of Nation's Business.*



Knowledge of the earliest Americans—Asians who crossed the Bering Sea, moved through Alaska and settled the continent—is gained from archaeological digs on the pipeline route. Who paid for them? Oil companies.

who find fault with his decision will have 30 days to file for a U. S. Court of Appeals hearing.

Several organizations have already gone to court to obtain injunctions against the pipeline. Among them are the Wilderness Society, Friends of the Earth, Environmental Defense Fund, Inc., and a number of Alaskan native organizations. Depending on how much longer they protest, construction of the 48-inch pipeline may be delayed from a month to a year or more.

However, most authorities believe the line will eventually be laid and the road built. Then the oil will flow to Valdez where it will be put on special tankers and sent to Seattle, San Francisco and Los Angeles. Some of the oil may be sold to Japan to boost U.S. exports. In effect the oil would be used to help solve two major problems —the U.S. energy shortage and the nation's unfavorable balance of payments.

For two years the oil companies have been under attack by ecologists who accuse the companies of having the same disregard for nature that Uncle Sam displayed at Umiat.

The companies agree that many safeguards demanded by ecologists are justified and say they have now complied in dozens of instances. It is quickly admitted by oil company executives and by Alyeska Pipeline Service Co., a consortium which will actually lay the pipeline and operate it, that the line will be better and safer because of very recent improvements.

Few environmentalists who protest the building of the pipeline ever heard of Umiat. It might be instructive for them to go up there, far above the Arctic Circle, and have a look. Comparisons between the mess Uncle Sam made and the areas the companies are working in are startling.

Prudhoe Bay is spotless. Used and unwanted oil drums are nowhere to be found. They have all been flown to Fairbanks and sold as scrap metal by British Petroleum (BP) and Atlantic Richfield (ARCO), the two operating companies for the Prudhoe Bay field.

With the backing of Humble Oil and Refining Co., and several other companies with smaller oil leases, BP and ARCO have laid all of their roads on top of a minimum of five feet of

gravel so that the delicate tundra won't be cut up and erosion encouraged. Workers are not even allowed to walk across the tundra.

Refuse is collected daily and either flown away or treated locally. Sewage goes through disposal plants which are the most modern in Alaska.

Tranquilizers and ramps

Wildlife and the environment are carefully protected. Last summer, a vicious polar bear who invaded the oil workers' dormitory area was put to sleep with a tranquilizer gun. His inert body was loaded into a helicopter and flown back to the wilds, where he returned to consciousness unhurt and presumably happy.

As for caribou, they never had it so good.

They play, graze, sleep and mate under and around oil rigs and long sections of a test pipeline. On windy days they huddle against it for warmth. When the wind shifts they go to the other side, using ramps the oil companies built for them or walking under the line where it has been raised to allow their passage.

The ramps were specially designed by scientists at the companies' expense. BP sent ecologists from London on dozens of trips to supervise the ramps' construction.

Nothing seems to bother the caribou. They would just as soon go over the line as under it. They outnumber human Alaskans 400,000 to 300,000, and, if anything, they get in the way of oil operations rather than the oil operations bothering them.

Besides laying the pipeline, setting up loading facilities at Valdez and drilling another 111 wells at Prudhoe Bay (39 now are capped and ready), the next big construction job will be to build a two-lane gravel service road across the Alaskan tundra adjacent to the pipeline.

One 50-mile section of road near Livengood is already finished.

The oil companies paying for the road have agreed to bring it up to secondary Alaskan road standards at much extra cost and give it to the state as part of its highway system.

In preparation for the time, hopefully next spring, when actual road building and pipelaying can begin, the oil companies have tested over 200 types of grass to find those best for reseeding the earth above the pipeline and along the service road. Three excellent strains have been found and as work crews move along, reseeding will take place a few yards behind.

Laying pipeline above ground costs much more than putting it underground. But at the request of the Department of the Interior, 48 per cent of the line will be built above ground —instead of 28 per cent as originally intended. This is one of the reasons why costs for the line leaped from an estimated $900 million to $2 billion.

Making it earthquake-proof

Every year Alaska has 1,000 or more earthquakes. The pipeline will cross three large fault lines. One is the major Denali Fault in the Alaska Mountain Range where there has been recent quaking.

To protect it against earthquakes, landslides or other natural disasters, the pipeline will be specially built and welded.

It will zigzag above ground to give it more play. It will be mounted on skids to allow shifting without bending or breaking. Protective walls will guard it from landslides.

Cutoff valves will be installed at close intervals where it snakes through danger zones.

Special electronic devices will monitor its flow. With the help of computers, they would automatically shut it off within seconds in the event of a leak. These devices divide the line, in effect, into many separate compartments and minimize oil spills by confining them to the ruptured segment.

Anchorage had a devastating earthquake in 1966 which smashed entire city blocks. The pipeline will be constructed to withstand major quakes as severe as that. The earthquake which hit Los Angeles last winter twisted and strained—but never broke—pipelines constructed and welded there in the same way the trans-Alaskan line will be put together.

Valdez, on Prince William Sound, will be southern terminus for the pipeline. A recent earthquake flattened the town and everyone, including oilmen, feared it might happen again. As a result, the oil tanks and loading facilities will be built three miles away from Valdez on firm ground which has never been affected by earthquakes.

Fishing off Valdez among the rocky islands of southern Alaska is among the best in the world. Great care will be taken to protect the sea life there.

Before tankers take on oil at Valdez, they will discharge water from ballast tanks into special treatment plants. After treatment, it will be pure enough to drink.

As an added precaution, harbor water will be tested daily so that fishery experts can make sure it is oil-free.

The Coast Guard is installing special navigational devices along the Hinchinbrook Entrance which leads from the Gulf of Alaska through rocky islands to Valdez on Prince William Sound. Tankers navigate far more dangerous waters to reach Finnart in Scotland, Milford Haven in Wales, Rotterdam in Holland, and Gothenburg in Sweden with less elaborate navigation aids.

In addition to making expensive major changes to satisfy Washington and the ecologists, oil companies have agreed to hundreds of lesser demands.

So that the salmon won't be disturbed on their way to and from spawning grounds, oil companies are taking needed gravel from streams only after spawning is over.

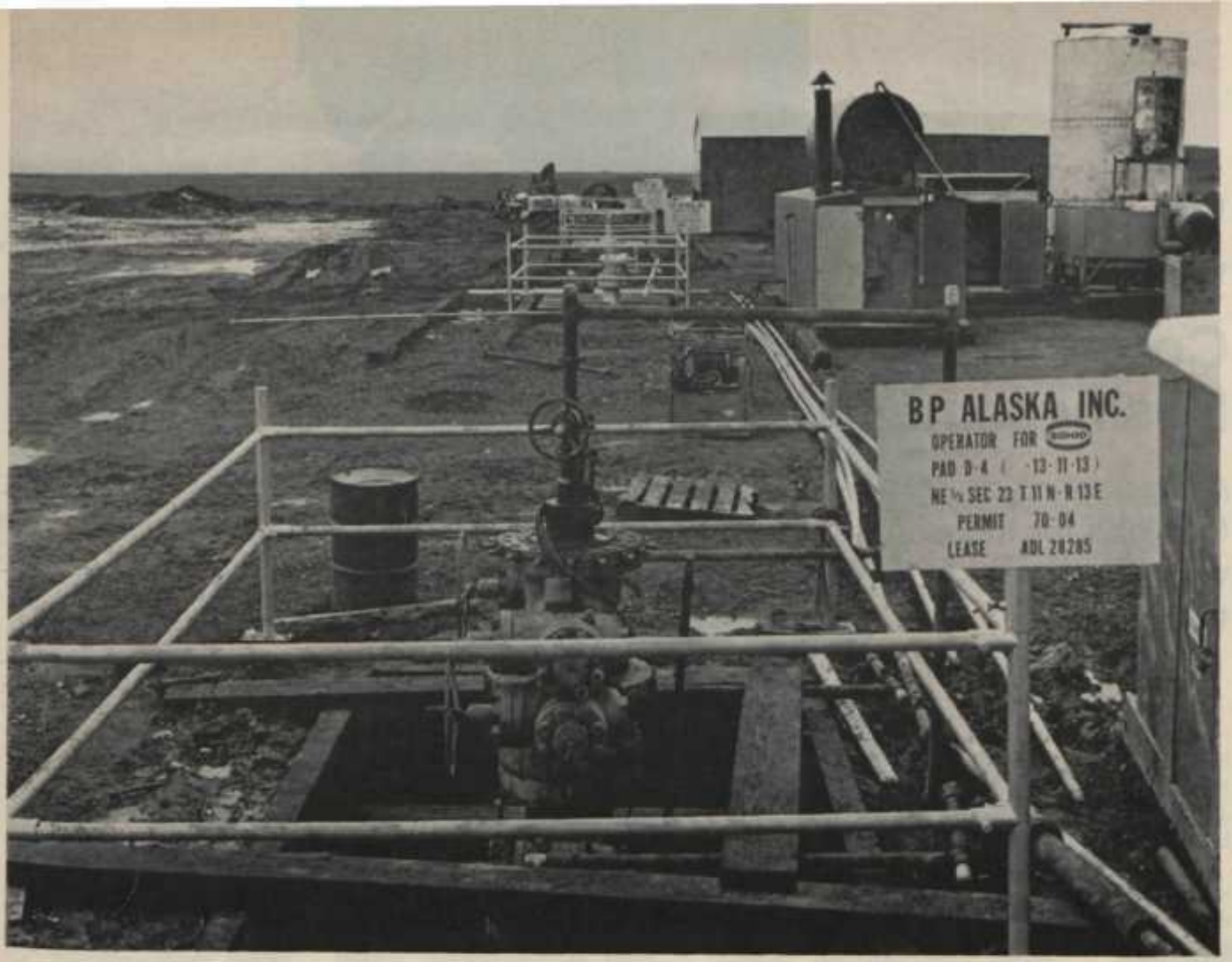
No firearms, beer or whiskey are permitted near the BP and ARCO base camps or drilling rigs.

Nurturing science

The oil companies are paying for the excavating of ancient camp sites where the first Americans lived many thousands of years ago on their long migration from Siberia across the Bering Sea. The pipeline will be rerouted completely around one camp site that University of Alaska archaeologists discovered and want to keep intact.

Sixty scientists were on the North Slope—the oil-rich area between the Brooks Range and Beaufort Sea—at one time last summer. They came, mostly at the oil companies' expense, from as far away as the University of Tennessee. They studied the 18-inch-thick tundra and the underlying permafrost from every conceivable angle.

Wildlife experts are living at oil company camps while they study Alaskan birds such as the scoter, green-



Thirty-nine oil wells are capped, awaiting a go-ahead on building the Alaskan pipeline. Another 111 will be needed to take the 15 billion barrels of sweet crude from the vast underground fields. British Petroleum and Atlantic Richfield are operating companies with Humble a major leaseholder.

winged teal, mallard, ptarmigan, greater scaup, black brant, eider, pintail, whitefronted goose and old squaw. They're also studying the habits of Arctic fish, of polar bears and grizzlies, of wolves and foxes, even of moose and lemmings.

Scientists studied the caribou so thoroughly that they could almost tell how many would turn right or left at Brooks Range passes as they moved north to their breeding grounds.

Studies in depth were made of the Aleut people who inhabit the westerly areas of Alaska, the Athabasca Indians of the south and interior and the Eskimos of the far north and west. When the pipelaying actually begins, these people will supply much of the manpower.

Many polls have been taken among Alaskan natives as well as among the white settlers who live in Anchorage, Fairbanks, Juneau, Sitka and Nome. The polls show that more than 85 per cent of all Alaskans want the pipeline. Among those who do not are a small group of Eskimos on the Beaufort Sea who say, quite frankly, they would like all white men out of Alaska.

Other native Alaskans are urging the federal government to clear up the fantastically complicated problem of who owns title to hundreds of millions of acres of land.

They claim land through which the pipeline will pass and say, in effect: "Get land titles straight before you lay the line."

The pipeline operation will employ hundreds of Alaskans in well-paid jobs and will also generate about $750,000 a day for the state in revenue and royalties.

This works out to more than $2 per day per capita—more than the state has budgeted in the current fiscal year.

Revenue from the pipeline is of utmost importance to Alaska. Seattle, which will be a major port for the tankers from Valdez, will also benefit greatly.

But those who will gain most from the pipeline are those insatiable consumers of energy—the American people. For without the North Slope's billions of barrels of crude, the potential U. S. energy shortage could become a chilling fact. **END**

Viet Nam Veterans Are Counting on Businessmen

A big push is on to find jobs for thousands who have served their country



Sailors studying TV repair at a Sears Roebuck school in San Diego are among more than 100,000 veterans who have received free training from businesses.

Some 200 Viet Nam veterans have high-paying jobs awaiting them when they come home—jobs for which they didn't apply and for which they were hired sight unseen.

These men—pilots—are among some 1,500 Americans who are prisoners of war or missing in action. They are carried on the seniority rolls of Eastern Air Lines in a unique agreement developed by the company and the Air Line Pilots Association.

A prisoner of the communists can hardly be the object of envy. But many a former serviceman whose fortunes were better in the war wishes some sort of job arrangement had been made for *him*.

More than 300,000 Viet Nam veterans currently are looking for work.

Their plight—and the work prospects for some 500,000 GI's expected to come into the labor market as they are discharged in the next year—has accelerated the campaign called Jobs for Veterans, a joint effort by government and business supported by labor.

The program's success will depend to a great extent on business, especially small business, which is seen by many as the greatest untapped source of potential employment.

A large segment of the business community has pledged to try to find the jobs, but no one expects it to be an easy task.

While the general economy is showing more vigor, there is still high unemployment in many parts of the country and the competition for jobs is tough.

Some veterans see another reason why they find it hard to be hired—the image they believe many hold of those who have served in Viet Nam. Says an ex-machine gunner who has been job-hunting for months: "Many employers think that since you are a Viet Nam veteran you're either a militant or a dope addict."

Most employers and government officials concerned with the veterans' job program disagree sharply with this view.

NATION'S BUSINESS canvassed a variety of employers, and few reported the widely heralded GI drug problem has been much of a concern in hiring decisions.

Executives say the former serviceman has strong selling points. Government officials agree.

"For the employers, the Viet Nam veteran can be a tremendous asset," says Secretary of Labor James D. Hodgson. "He has the discipline and maturity that comes with military service. Most often he has a range of skills developed while in service. He is ready to go to work and he makes a good workman."

An "incomprehensible" gap

The vast majority of veterans slip quietly back into civilian life after any war and Viet Nam is no exception. There are now about five million veterans of this conflict, and well over three million are employed, with more than 1.5 million others attending school or in on-the-job training under the GI Bill.

But a growing unemployment rate for Viet Nam veterans during the economic slowdown in 1970, when 1.1 million men and women were discharged from the armed services, caused mounting concern. In the first quarter of the year, the rate for veterans aged 20 to 29 was virtually the same as that for nonveterans of the same age. Six months later, the respective rates were 10.8 per cent and 8.4 per cent.

President Nixon, describing the disparity between veteran and nonveteran as "incomprehensible," announced the nationwide Jobs for Veterans program last October. He chose James F. Oates Jr., retired board chairman of the Equitable Life Assurance Society, to head the program. A 100-member advisory board, including people from business, government and labor, was named.

Aided by many in the business community, the program got off the ground with an informational campaign and "job fairs" in dozens of cities. At one, in Hartford, Conn., 170 employers with 2,000 job pledges were greeted by 6,000 work-seeking veterans.

At the same time, there was a push to make sure the veteran knew of the benefits available to him, both through education and job training.

The President announced heightened emphasis on the Jobs for Vet-

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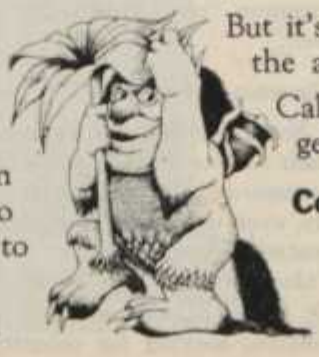
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Viet Nam Veterans Are Counting on Businessmen *continued*

erans program last June and told Secretary Hodgson to "assume leadership" in it, in coordination with Mr. Oates. The President also ordered six actions taken immediately:

- Bring the National Alliance of Businessmen into the campaign. (It came in, and pledged to find 100,000 jobs for veterans.)
- Expand the Defense Department's Project Transition [see "For Viet Nam Veterans: New Skills and Better Jobs," NATION'S BUSINESS, October, 1968] to provide additional counseling, job training and placement for servicemen before they are discharged.
- Increase training opportunities for veterans by combining Veterans Administration benefits to the ex-GI and Labor Department payments to the employer for on-the-job training.
- Require listing with the public employment services of all job openings in federal agencies and with contractors doing business with the government—thereby increasing veterans' exposure to what is available.
- Step up job placement activity by the U. S. Training and Employment Service, including beefing up its staff with 850 more people.
- Provide special Labor Department and Veterans Administration services to those veterans drawing unemployment compensation for three months or longer.

Veterans' preference

Since the President's announcement, there have been two other developments which should help in reducing unemployment among the veterans:

Mr. Hodgson announced they would be given priority status in on-the-job training programs funded by the Labor Department, a move he hopes will add at least 20,000 veterans to training rolls; and Congress passed the Emergency Employment Act creating 150,000 public service jobs—for which veterans will be given preference.

The National Alliance of Businessmen program to find 100,000 jobs for veterans gets under way officially this month.

NAB, since 1968, has been conducting a JOBS (Job Opportunities in the Business Sector) campaign to aid the disadvantaged, and reports it has found work for 700,000 of them. Now, it will be asking participating employers to pledge jobs for veterans in addition to the disadvantaged—for whom it currently is seeking 250,000 jobs.

"We've already won over some 18,000 big employers in the JOBS program," says William C. Woodward, an Aluminum Co. of America vice president who is on full-time loan to NAB to serve as its president. "Now we want to reach the smaller employer. If we could just get one third of the small business firms in this country to take a man or woman, our high unemployment problem would be licked."

The business community's efforts to put Viet Nam veterans on payrolls have already had some effect. Labor Department statistics show unemployment among ex-servicemen aged 20 to 29 steadily decreased from a peak of 10.8 per cent in February to 8.2 per cent in July, only slightly above the rate for nonveterans of the same age.

Growing numbers of companies have emphasized the hiring of veterans.

"We started concentrating on this in 1968," says Bernadetta McCann, an assistant treasurer of Bankers Trust Co. of New York and director of its veterans' hiring program. The bank now has about 1,500 Viet Nam veterans among its 10,000 employees.

Gurney Sproud, vice president of the Jiffy Manufacturing Co. at High Point, N. C., where 10 per cent of the 140-man work force are Viet Nam veterans, says his firm prefers them because they "have a deep sense of responsibility."

In Portland, Ore., G. W. Williams, manager of Western Electric Co.'s Oregon Division, reports ex-servicemen "as a rule work out quite well."

Unwanted skills

Some job-hunting veterans report their service-learned skills have been disregarded by prospective employers, even when they were sent out for posted vacancies.

John Coles, 21, of Washington, D. C., a Marine veteran, claims a hospital looking for security guards brushed off his Marine guard experience. To him, job-hunting has been a frustrating "run-around . . . enough to make you steal from your mother."

Many jobless veterans have skills that place them, in Defense Department jargon, in an "occupational area of uncertainty." Translated, this means they have only clerical skills, or skills of minimal value in civilian life. It was for these veterans that Project Transition was designed. Hundreds of companies, big and small, have participated in job training at various military posts, or have offered on-the-job training under this program.

Frank McKernan, the program's director, says the big need is to interest more small businesses in it.

Robert J. Brown, the Labor Department's associate manpower administrator, says the requirement to list with public employment services most federal job openings, and openings among contractors doing business with Uncle Sam, will involve several million jobs yearly. Other sources say the total could be far higher—500,000 government jobs and up to 10 million private jobs.

There is skepticism that the public employment system can handle the increased work load, but Mr. Brown says they can.

"The Employment Service is moving dramatically towards automation," he declares. "We have about 100 job banks in operation now and by the end of fiscal '72 we intend to have job banks in all 2,100 employment offices, to handle job orders."

Meshing of Labor Department and Veterans Administration on-the-job training benefits is another major step toward cutting veteran unemployment, especially in small business.

Mr. Brown says this is "ideal" for both the veteran and the employer. The veteran receives a monthly check from the VA to augment his wages and the businessman receives compensation from the Labor Department to offset training costs.

Everyone concerned is hoping all these efforts by government—and business—will pay off in jobs.

As the President said in setting up the program, "the Viet Nam veteran deserves an edge." END

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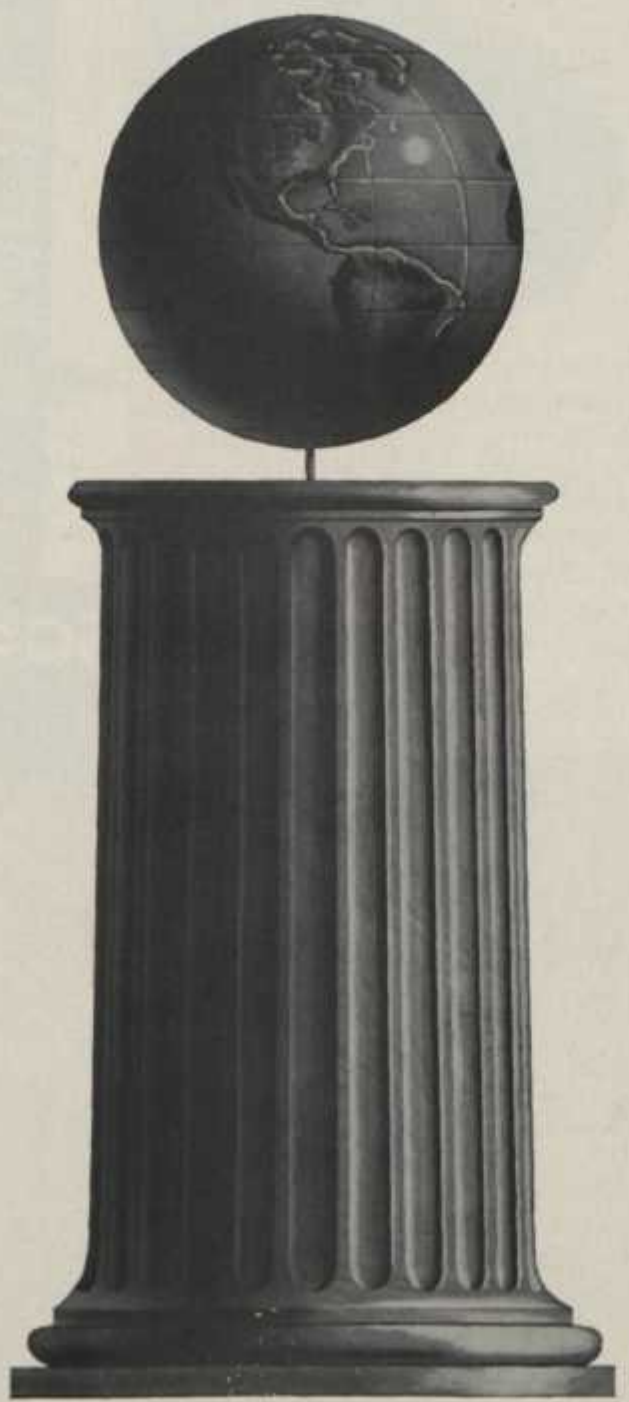
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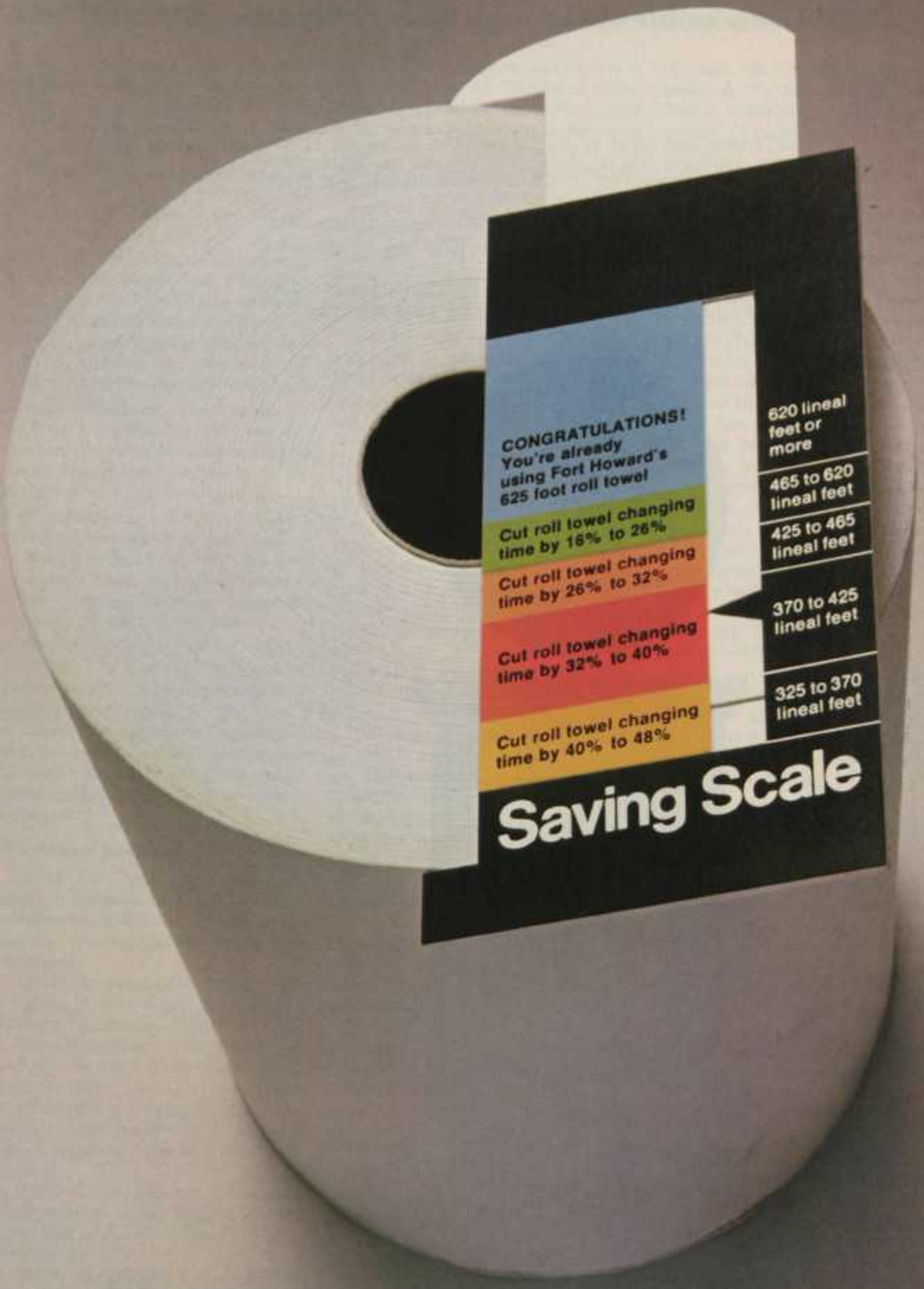
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PART LXXVI

Charles H. Dolson of Delta Air Lines

From cockpit to chairman's chair

Charles H. Dolson is one of the last of a great breed—the heads of major airlines who started out as pilots of rickety planes in the days when their industry was young.

It's unlikely that ever again will one man hold all the jobs that Mr. Dolson has held in a trunk airline: pilot, chief pilot, operations manager, vice president, executive vice president, president, and chairman of the board.

Nowadays, the route to the top in the airline industry is apt to start with law, or finance, or sales.

Mr. Dolson, who is known widely as "Charlie,"—many an employee unhesitatingly addresses him that way—runs Delta Air Lines, Inc.

Just how well he runs it can be measured by the fact that Delta consistently is a money-maker of the first rank. Its plane utilization and load factors are among the very highest in the business. Furthermore, during the 1960–70 period, Delta earnings went from 17 cents per share to $2.33 per share.

Mr. Dolson's predecessor was the legendary C. E. Woolman, one of Delta's founders, who died in 1966. It was thought at the time that Delta could not expect two powerful leaders in a row. But it has had them.

Under them, a small airline which began life as a crop-dusting outfit in Monroe, La., and later moved to bustling Atlanta, Ga., became the fifth largest air carrier in the United States. Now Delta is awaiting an O. K. from the Civil Aeronautics Board and President Nixon to take over Northeast Airlines.

Charlie Dolson, born in 1906 in St. Louis, went to Washington University. As soon as he finished, he became a Navy pilot, and operated off the old carrier *Saratoga*. Later, he was a Curtiss-Wright test pilot, and then he flew for American Airlines, carrying the mail.

He joined Delta in 1934, becoming one of its first seven pilots. During World War II, he was back with the Navy, but when Tojo and Hitler were put down, he rushed back to Delta.

Today, Delta has over 2,000 pilots and he is top man in the shop.

Mr. Dolson, a gadgeteer and a music lover, travels often for pleasure. He and his second wife have a three-year-old daughter, and there are five children by his first wife, who died in 1960. One daughter is married to a pilot for Eastern Air Lines, Delta's traditional rival.

A candid man, who doesn't recoil from expressing an honest opinion about a colleague, or another airline, or the CAB, or anything else, Mr. Dolson is also known for his calm, considered approach to problems. He is in demand as a director on other companies' boards.

In this interview with a NATION'S BUSINESS editor, Mr. Dolson talks about his career—as a pilot and as an executive—and about the airline business.

Mr. Dolson, what has been your favorite job?

They've all been favorites in airline work, but not the ones outside.

I worked for a St. Louis department store between high school and college for eight months and I sold one suit. And that was because this character came in and said, "I want a size 39 blue serge suit," and I said, "Here," and he said, "I'll take it."

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Charles H. Dolson *continued*

Delta. Which has been the most comfortable for you—a pilot's seat or the chairman's swivel chair?

The pilot's seat. When I used to get to the far end of the line my job was finished. I wasn't paid to worry about the next trip.

Back in the early days were you worried about how many paying passengers were in the seats behind you? Did you ever count the house?

I enjoyed flying a full load because it indicated Delta was doing a good job. As for counting the house, you didn't have to be a mathematician. We hauled six or seven in the old Stinson T, then 10 on the Lockheed Electra, 14 on the Douglas DC-2, 21 on the DC-3, and 40 or so on the DC-4.

What's the biggest scare you've ever had?

Scare? I've been scared most of the time.

I had an accident here in Atlanta in 1936. It was a test flight, on takeoff. I deliberately drove the airplane through some trees because it was rolling and I couldn't stop it.

During World War II, in Honolulu, I jumped out of a Navy plane. It was just a question of me and the airplane not getting along. So I dived out.

It cost the Navy a lot of money. When they sounded the crash alarm at the Naval Air Station at Barber's Point, two fire trucks came charging out of the garage.

Whammo! They collided.

So, we tore up one airplane and two fire trucks. I don't know which cost the most, the fire trucks or the plane. Probably the fire trucks.

Speaking of being scared, it generally comes later. You don't have time at the moment to get scared. You're too busy.

The airlines' story has been filled with a colorful cast of characters. Who was your favorite?

My favorites were the crazy people who were silly enough to invest their money in airlines years ago. They were the greatest. They were gamblers, entrepreneurs. They hoped to get something out of their investments, but most didn't.

Some were the starters of Boeing Air Transport and the old Western Air Express.

Also, the Santa Fe railroad crowd is entitled to a lot of credit. In the early 1930s the Santa Fe essentially got Transcontinental Air Transport going. That's now TWA. Boeing is now United Air Lines.

Back then a transcontinental passenger started out from New York on a train. He rode it to Columbus, Ohio, stepped off and got on a plane which was parked right beside the tracks—that's why the Columbus airport to this day is beside the Penn Central tracks.

Passengers then would fly to Oklahoma. Then they would get off and catch another train for an overnight ride. Further out West they got off, got on another plane and flew to the Coast.

It took 48 hours and involved two train rides and two plane rides, as I remember it.

How much of a future does the passenger train have now?

Well, if we ran trains equal to the 125-mile-an-hour-plus Japanese train between Tokyo and Osaka, I'd say that airlines shouldn't try to compete with that type of operation—not on runs up to about 300 miles.

The last time I rode a train in the United States was years ago. Flights were canceled due to weather, and I was going from Atlanta to Washington for a Civil Aeronautics Board proceeding. The train had had a wreck, over in Alabama, so it was running late. And then on the way to Washington we had a hotbox. I got to a 10 o'clock meeting at 2 in the afternoon.

Despite all that, I believe there's a place for good, high-speed passenger trains in the transportation picture. If you can count downtown-to-downtown time and a train is quicker than a plane, I think the train is the thing to be used.

But you know, the airlines' biggest competitor isn't the train. It's the Interstate Highway System.

What do you think of the new National Rail Passenger Corp., Amtrak?

Not much. I read an article by a man who made the first transconti-

nental run and he wasn't very complimentary.

Do you foresee any additional air shuttles like Eastern's Washington-New York-Boston operation? A New York-Chicago shuttle, for example?

No, really I don't. While the shuttle has been convenient for a good many people, the fare is high—$26 each way between Washington and New York.

You know, the shuttle idea never spread to the West Coast, although traffic between San Francisco and Los Angeles is equal to anything anywhere.

What are you really perturbed about in the airline business just now?

Well, one little thing is Sen. [William] Proxmire [D.-Wisc.]. He has stopped the American SST and he fought Lockheed. He sure is against a lot of things. He seems to be against progress.

Let's talk about something pleasant.

For me the brightest thing on the horizon right now is our anticipated merger with Northeast Airlines. I think we can do something with that operation, and it will certainly fit into ours very well. The main ingredient for Delta is the route from New York to Miami. Second most important is the Miami-West Coast nonstop privilege. Third is the Boston route to the Southeast and Southwest. We also believe there's more potential in Montreal than Northeast has been able to develop.

There's also a lot of traffic between Hartford, Conn., and Florida during the winter; yet I don't believe Northeast is operating a single nonstop between them. Eastern and National are. We've been competing with Eastern since 1934 and doing it pretty successfully, so we'll give them a better run for the money after we merge with Northeast.

You're sure the merger will go through?

You can't be sure of anything where the CAB is concerned.

Do you think airlines will have fewer frills in the future?

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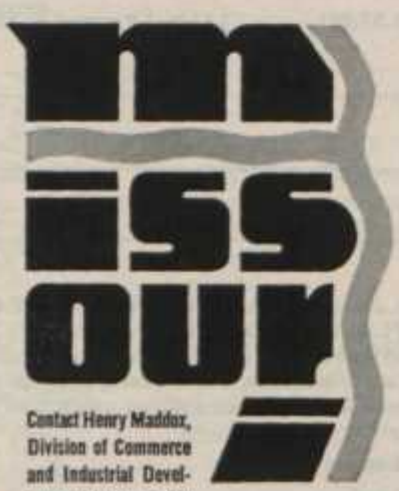
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Charles H. Dolson *continued*

can't because there's always some guy who thinks he can get ahead of his competitors by doing something new. Invariably it's something the competitor can do, too, so the end result is they both do it whereas neither guy should.

What are some examples?

Movies. Special lounges for special customers. Free drinks. Food service that's elaborate, and by the course. Crazy stewardess uniforms that aren't uniforms at all. Delta has managed to stay away from a lot of this stuff.

What's your feeling about airlines now charging $1.50 for a drink?

All drinks should be paid for on a plane because no matter how you cut it the guy who doesn't drink is subsidizing the guy who does. A $1.50 drink is expensive but what do you pay for a drink in a hotel? About $1.10 to $1.50. And then you have to add a tip and where do you end up?

I just got back from Sea Island, Ga. My wife and I had a cocktail before lunch the day we got there. I just looked at the bill—$2.34, for the two drinks. And then they add 15 per cent service charge and it's nearly $1.50 a drink.

Mr. Dolson, some people are considering taking a bottle aboard with them and pouring their own. What do you say to that?

These fellows will be violating federal laws, and they may wind up in jail. They'd better be careful.

Does Delta do things you're proud of that other airlines don't?

We don't do much that's unique at Delta. But we do avoid making changes just to be making changes, in any sector—personnel, policy, schedules. We do try to keep salaries in line with the industry and generally I think we tend to keep them on the high side.

We keep employee benefits a step above the industry average.

Woolman used to repeat that old saying that nothing succeeds like success. The fact that we have been successful gives our employees a little extra pride in the outfit and they do a better job.

Yes, esprit de corps is one thing that I really credit with our unusual success.

Oh yes, Delta doesn't toot its own horn as much as some of the other lines. We don't have a president who's blowing off all the time or one who's flying off to France. We don't sponsor the Metropolitan Opera and we have little interest in running hotels.

We just run an airline.

The new president of United Air Lines, Ed Carlson, was down here last spring to see what we did that United doesn't do. So we got him to go on a tour of our maintenance base and you'd think we had prompted the mechanics about what to do.

One mechanic went over and looked in his drawer and got out a bunch of "Fly Delta" bumper stickers and gave them to him.

Another said, "You're the new president of United? I wondered who we had to beat."

It was all spontaneous.

How did Mr. Carlson go for that?

Fine, fine. He said, "I've now learned about the Delta spirit." He wrote a very complimentary letter.

Then he went back and put on some more schedules to Atlanta.

That wasn't very nice.

In addition to the personnel practices you've already mentioned, what other factors are responsible for people wanting to work at Delta? Your 20,000 employees are supposed to be among the happiest in the world.

Promoting from within is something we have followed diligently over the years.

Obviously you don't promote a ramp service agent to a job in the legal department. You do have to go outside for some specialists, such as lawyers. But we generally raise our own people and I think the word gets around that you do this.

Another thing that's helped us is that we've never had a disruption of service due to labor difficulties. We had one mechanics' strike back in 1947 but we didn't miss a single flight. The end result is that word gets around, and I'd say we get the cream of the crop in the way of pilots out of the military because they know we've never had any labor difficulties.

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Charles H. Dolson *continued*

now we aren't hiring pilots, so the statement probably doesn't mean much today, but a couple years ago, when we were hiring like mad, it did.

The only other airline without labor stoppages is Aeroflot, the Russian line.

Do you still have only two unions here?

Yes. The pilots' union and dispatchers' union. I think Northwest Airlines has the most—11.

Incidentally, I started the pilots' union at Delta.

I had been in it when I worked for American Airlines. Woolman used to promote me but he never did forgive me for starting the pilots' union, I'll tell you.

Now you've crossed the track? Excuse me. Crossed the runway?

Yeah. One other observation I could make. I negotiated the first contract Delta had with the pilots' union on the pilots' side of the table, and until I got this job I negotiated every other one on the company side of the table. I negotiated every contract Delta has had either on one side of the table or the other until I became president.

And I'm still carrying a union membership card. A gold one.

Mr. Dolson, what particular lesson can be learned from what you do as a leader?

What I don't do is more important than what I do. I came into the title of chief executive officer fairly suddenly, in 1966. I told the Board of Directors, "You don't need to look for any big changes in what we've been doing, because what we've been doing has worked and I'm going to change it just as little as I can."

That's essentially what has happened. We have changed practically nothing. We have tried to improve. We leave well enough alone as long as it's working.

Is it true that sweet-talking Southern girls make the best stewardesses in the world?

Not necessarily. We hire stewardesses from all over our system. If anything I'd say we go out of our way to avoid having all our girls from one section of the country. After all we're trying to play down the fact that we originally were a Southern airline. We're covering two thirds of the United States now.

We've stopped pushing grits for breakfast, too.

Where do airlines fit in the pollution picture?

Now, what do you mean by pollution? If you mean we make a little noise, and put out a little smoke and grease, that's all true.

We contribute one half of 1 per cent of over-all air pollution.

But airplane pollution is so visible. We get up in the air and everybody can see us.

As for sound, to retrofit our DC-8's the way some government agencies would have us retrofit them to get noise down to the new regulations would cost $1 million per airplane. With an airplane that is 12 years old and cost $5 million, it just doesn't make sense to spend that kind of money—you only reduce noise slightly.

Kids on minibikes and people with power mowers and power saws make as much racket. Incidentally, I bought myself a garden tractor the other day and I didn't want anybody to accuse me of polluting the place. So, I got an electric one.

In five to 10 years there's going to be very significant improvement with us. All engines will be so-called smokeless. Noise will be way down. But the jet engine is never going to be silent. And, there's no way in sight to eliminate the sonic boom.

What are Delta's international aspirations?

We don't have many just now, but we sure are going to go hard after routes when awards are made in a few years for service from points in the Northeast to points in Europe other than London and Paris.

If you had your choice of any route, which would it be?

I'd want access to Europe and initially I don't think I'd want it from the South. I'd want it from the Northeast. Washington or Boston would be all right. Brussels and Amsterdam would be dandy terminals over there. I think London and Paris



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Lessons of Leadership: Charles H. Dolson *continued*

are like New York. People are starting to try to avoid those places. The route I'm talking about certainly wouldn't make any money for 10 years, but more and more people are going to go to Europe on vacations, as fares come down and the amount of discretionary income gets higher.

This idea of selling vacation travel within the United States is all right, but you just aren't going to get the public to do it if they can afford to take an international trip.

They look at travel around the United States as something you do on a weekend. And I do, too, pretty much.

Mr. Dolson, what led the other airlines into their present financial problem?

As far as I'm concerned it was the unwillingness of the CAB to adjust fares as inflation took over. There's an element, too, of overcapacity, but that isn't something you can turn on and off. People seem to think that if you've got too much capacity, all you have to do is stop flying so much.

Well, what are you going to save? You're going to save some wages and some fuel, and that's about all. Everything else is going on.

These airlines that are reducing service in order to keep from losing so much money are playing into our hands. We're glad to haul the customers that they are getting rid of.

Now, if the CAB increases fares enough to make the airline that's least well off break even, then the CAB will make some of us quite profitable. Delta will be one.

You blame the CAB more than the business turndown for the plight of the airlines?

I sure do. The CAB let it all get started.

If the CAB keeps on giving out routes, it will have every airline flying everywhere in another 10 years. All the CAB does is keep shopping around, asking which airline needs help, instead of which airline is doing the best job.

How long has it been since Delta got a major route award from the CAB?

The last major one was to the West Coast 12 years ago. The reason we haven't gotten anything since is that the squeaky wheel gets the grease and Delta doesn't squeak. There doesn't seem to be any reward for efficiency.

Assuming the Delta-Northeast merger goes through, won't that help the CAB do what it has always said it wanted to do—reduce the number of trunk lines?

Sure, it follows the CAB line.

How will Delta rank then?

We'll still be fifth largest. We're estimating our revenues will increase by $170 million a year but that won't take us up to the next carrier.

Who is next one up?

It depends on what you're counting —international or not. If you count international, of course, TWA is ahead of Delta and Eastern. If you don't, TWA is smaller than Eastern and about our size.

You can figure it different ways—number of passengers, revenue passenger miles. But according to profit, we're number one.

And that's the thing that counts.

REPRINTS *of "Lessons of Leadership: Part LXXVI—Charles H. Dolson of Delta Air Lines" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: one to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1000 or more, 14 cents each. Please enclose remittance with order.*



Thirty-five years ago, when Charlie Dolson was young and Delta flew Electras, Delta was a Southern line, flying from Dallas to Atlanta. Today it flies coast to coast and to South America.

What's Your Corporate Image?

Every organization has an image. The question is whether it has the image it wants.

What is a corporate image? In brief, it is two things:

• An impression of itself that every corporation tries to convey through its advertising, publicity and over-all communications.

• What different groups of people—its customers, the media, legislators and its employees—really do think of the corporation.

Isn't corporate image-building, then, merely a fancy name for old-fashioned public relations?

Not really. Corporate image-building includes, but is not confined to, public relations. It involves every facet of a company's activities and is roughly synonymous with what is called "total communications."

It is not just what you say or how you say it that is important, but also whether the person with whom you are communicating understands and believes what you say.

Picking your publics

The corporation has many publics with which it communicates. In our company we have picked out two—the customer and the employee, and we put almost all of our communications time and effort into communicating properly with them.

We feel that if we do a strong, honest, understandable job on these two "publics," we'll have the most successful image-making program possible.

But, there are a few rules of the road, when carrying out your communications to the customer or the employee:

1. Don't try to communicate too many messages at one time. Single out what is most important—and give this one message your full attention.

2. Don't fool yourself into thinking you can say something just once, and have it "sold." Don't give up on communicating your message. Do it over and over and keep it up for a long period of time.

3. Use every means at your disposal to relay your message. Advertising, press releases, press interviews, cooperation with writers and, when it's the customer, short, friendly written enclosures with your mail to him can do a most effective job.

When it comes to your own employees, the best and most effective communications still remains person to person—eyeball to eyeball. Once you have determined what your message is, tell it every way you can—employee publications, posters, supervisor meetings, the bulletin board.

The most effective person to talk to an employee is the person who directly supervises him. It doesn't always have to be the boss. But if it's never the boss, then that's no good either.

Corporate image, or corporate identity is formed, changed, even ruined, by any one of many things. Here are some of them:

• The products a company makes. Nothing is likely to have a greater long-term impact on a company's image than its products.

• The services a company provides. Today's consumer is much more sophisticated than ever before. He demands more, and better, service—and he knows when he's not getting it.

• The company's sales and earnings. A steady, solidly based increase in sales and earnings can strongly improve a company's image.

• The company's sense of citizenship. You can't just cop out anymore. The problems of our society are too intense. We will be increasingly judged on our sense of responsibility to the community.

• The company's reputation for fair dealing—and this would include employees as well as customers.

Admitting mistakes

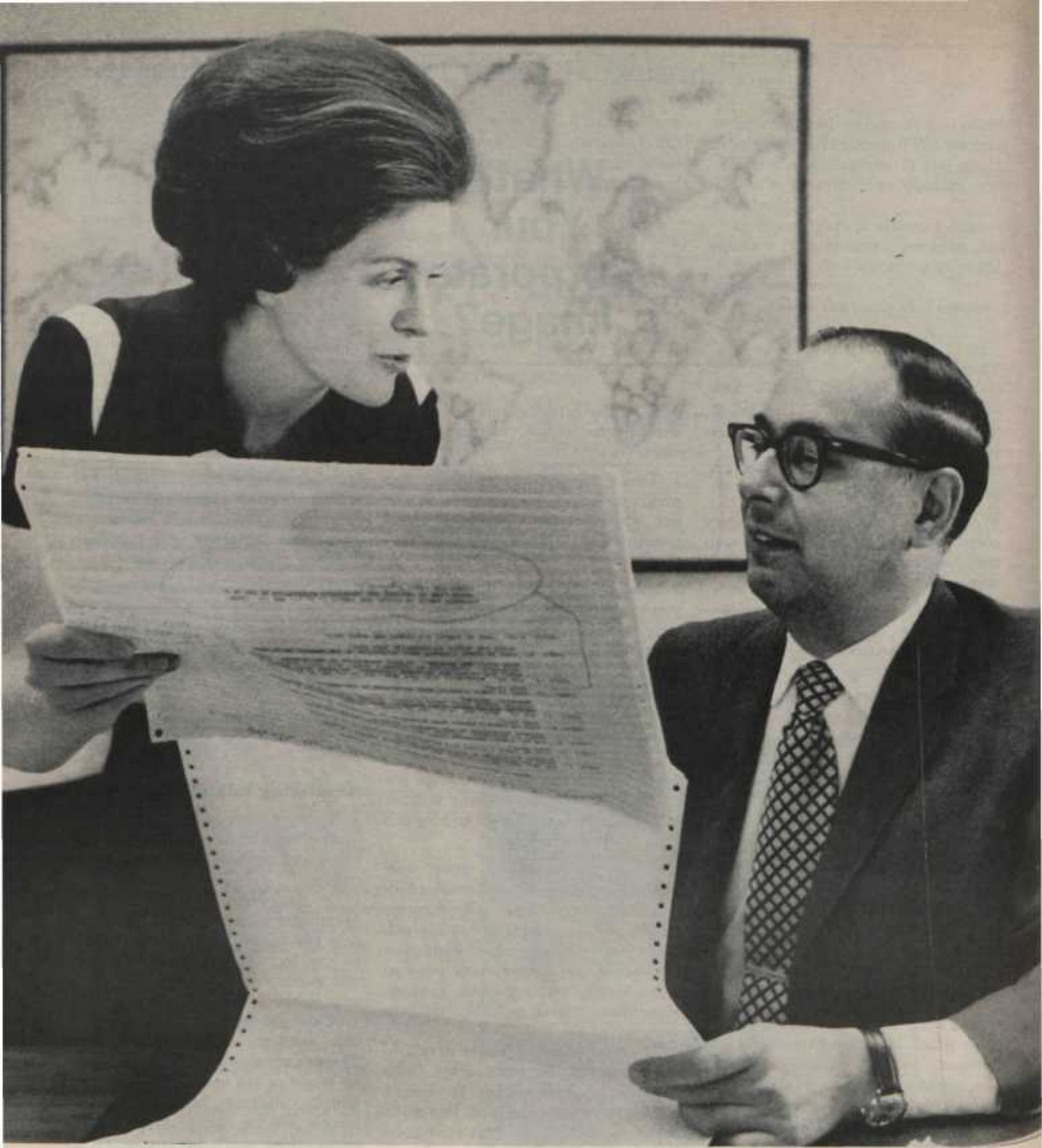
A corporation is like a person. It must always be honest, admit to mistakes and promise only what it can deliver.

Dr. Karl Menninger of the famous Menninger Clinic once said there are only two rules for any corporate man to live by: "Unto thyself be true," and make your severest critic "that man in the mirror."

If you are in a position to manage, then manage honestly, but boldly. Treat your employees right, but don't be afraid to try new things. Like the famous shifting sands, corporate images will be changing, too. Communications can't be conducted at the same old stand. END

ROBERT LEYS, *author of this article, is vice president of communications and public affairs, Allstate Insurance Co.*

REPRINTS *of "What's Your Corporate Image?" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*



Research by Prof. and Mrs. Alfred Tella, here analyzing a computer printout, produced a sharp jolt for backers of the guaranteed income approach.

WELFARE BILL BOOMERANG:

Bonus for Working Less

Findings of a husband-and-wife research team operating out of a small office forcefully challenge claims of top federal officials and their platoons of advisers that the guaranteed income plan now before Congress contains "strong work incentives."

A computerized study by Alfred Tella, research professor of economics at Georgetown University, and Dorothy Tella, economic consultant to Georgetown's Income Maintenance Project, documents the case that the result likely would be the exact opposite:

The plan would encourage lower-income workers to do less work and encourage nonworkers to stay on welfare.

Using their own broad backgrounds as welfare economists, including previous extensive research into the relationship between nonwage income and work habits, Prof. and Mrs. Tella simulated actual working of guaranteed-income plans.

A basic conclusion:

"Such plans are likely to result in significant reductions in the work effort of low-income family heads."

The Tellas' base of operations is in a business office building on Connecticut Avenue in Washington, not too far from the power centers—the White House, the Capitol and the sprawling Department of Health, Education and Welfare—where the guaranteed-income plan has been the subject of a massive publicity drive hailing it as a way of "getting people off welfare rolls and onto payrolls."

With data based on an actual survey of low-income families, and with an electronic calculator and a courier service to and from the Georgetown University computer center, the Tellas analyzed three proposed "models" of guaranteed income plans. One is identical with that in the Family Assistance Plan now before the Senate after House passage.

Other findings of their study:

- Factors in present welfare laws that discourage recipients from going to work "would be wholly or partially preserved and perhaps increased" under guaranteed-income plans.
- Half of the welfare supplements to male family heads would likely be used to replace income lost through cutting back on hours worked, rather than to increase income. Substantial numbers of female family heads could be expected to quit work entirely in favor of the welfare supplements.
- A family head with earnings just above the cutoff point for wage supplements would "definitely find it advantageous to reduce his work hours" to lower his wages enough to qualify for welfare benefits.
- Because wage earners who reduced their hours would qualify for higher supplements, present cost of the Family Assistance Plan is "seriously underestimated." Actual expenditures could reach 50 per cent more than the $5 billion a year now anticipated by sponsors.

Why it won't work

Theoretically, the supplement would keep the worker's income high enough to make employment more attractive than welfare alone and spur him to improve his earnings until he passed the cutoff point and moved out of the welfare plan altogether.

But would it actually do that?

On the contrary, the Tella study finds. More likely, it says, male heads of families would work less in favor of more leisure, since lost income would be offset in part by higher welfare supplements. Women would be more likely to quit work altogether because of child care and other considerations that make them prefer to remain at home, the study continues.

Prof. and Mrs. Tella report:

"For a family brought under a negative tax plan, additional work effort no longer increases family income by as much as before, since additional earnings are now accompanied by a reduction in the family's supplement.

"At the same time, a reduction in hours of work no longer reduces family income by as much as before, since any loss in earnings is partially filled in by an increase in the supplement.

"Thus, the introduction of a negative income tax plan makes it less rewarding to work more, and less costly in terms of lost income to work less."

Prof. Tella's prior work in the welfare field was as Director of the Office of Labor Force Studies of the President's Commission on Income Maintenance Programs, as an economist with the Federal Reserve Board and earlier with the Conference Board, an independent business research group.

Mrs. Tella was an economist with the Central Intelligence Agency for several years; later she held that assignment with the Social Security Administration. She was a senior associate with Planning Research Corp. before joining the Georgetown project last year.

Their landmark study, "The Effect of Three Income Maintenance Programs on Work Effort," concentrates on proposals for payments to workers below specified income levels that contain these basic elements:

A guaranteed minimum income.

A "tax rate" under which welfare payments are decreased on a sliding scale as earned income increases.

An income cutoff point at which welfare payments end.

More for less

Under the House-passed welfare bill now in the Senate, a family of four would receive at least $2,400 a year whether the head of the family works or not. If he or she takes a job, welfare payments would continue on a decreasing basis, ending when the family's earned income reached $4,320. For a family of five, the cutoff would be $4,750; for a family of eight, $6,060.

To compute the supplement, you exempt the first $720 of earnings and one third of the rest. You deduct the remaining two thirds from the welfare payment the family would get if it had no outside income.

For example, $2,400 in the case of a family of four.

The Tella study, commissioned by

Bonus for Working Less *continued*

the Chamber of Commerce of the United States, says this sets an "effective tax rate" of 66.7 per cent on a welfare recipient's earnings. For every $3 he makes, his supplement is cut $2.

The second plan studied was based on a guaranteed minimum income of $3,000 a year for a family of four, the same 66.7 per cent "tax rate" and a cutoff of $4,500.

The third plan used the same $2,400 minimum guaranteed income for a family of four as in Plan 1. But its "tax rate" was only 50 per cent—a $1.50 cut in supplements for each $3 of increased earnings—and a cutoff of $4,800.

"Under all three plans," the study says, "the tax rate poses a far more important work disincentive for most family heads than does the initial income supplement."

The report continues:

"Male family heads with a pre-plan income of $2,750, for example, could be expected to reduce their annual hours of work by an estimated 19-26 per cent under Plan 2; by 18-25 per cent under Plan 1 and by 15-17 per cent under Plan 3.

"Female family heads with the same pre-plan income would reduce their hours of work by an estimated 82-100 per cent under Plan 2; 74 per cent under Plan 1 and 65-82 per cent under Plan 3."

The study's conclusion that the work disincentive for all three plans would be relatively "quite large for female heads of families" is particularly significant. Eighty per cent of the 2.7 million families on welfare are headed by women. Under the proposed plan in Congress, the number of welfare families would increase to 4 million, again with women heading most of them.

In the words of the report: "None of the three plans is particularly efficient in raising the income of female-headed families. It is estimated that a dollar of (supplement) would add 21-23 cents to the income of female-headed families under Plan 1; 10-20 cents under Plan 2 and less than 12 cents under Plan 3."

By encouraging Americans to work less, these plans could take as much as $2 billion out of the Gross National Product, the Tellas estimate.

Here are some examples, taken from the report, showing how the plans could be expected to work, using figures from the high side of estimates.

Wages and welfare

Mr. Worker A, with a wife and two children, earns $2,975 a year. Under Plan 1, identical with the Family Assistance Plan, he could continue to work full time and get an annual wage supplement of $897.

Or he might choose to cut the number of hours he works by 24 per cent. He'd earn less. But he'd get a bigger wage supplement. In this case, $1,363.

The net result: The plan would increase his annual income by $669—even though he worked 24 per cent less.

Had he worked full time, his annual income from wages and welfare would be only $231 more than his income from a shorter work week plus welfare.

Mrs. Worker B. is earning $2,842 when the Family Assistance Plan comes into effect and qualifies for a wage supplement of $985. But she's likely, instead, to cut her working hours 70 per cent.

What she loses in wages will be more than offset by higher wage supplements.

Even by working less, she'll have $438 more income than she enjoyed before the plan went into effect.

But what if the guarantee level were raised, as in Plan 2, to $3,000 for a family of four?

Mr. Worker C, earning $3,125, could be expected to cut his working hours 24 per cent because he would still wind up with $675 more than he would have had—working full time—without an income supplement.

Mrs. Worker D, with a job income of $3,250, could get $3,000 without working at all. She would not have to pay such work-related expenses as commuting, lunches, clothes, etc.

Under Plan 3, the "tax rate" would be 50 per cent and the supplements would not decline as fast. But Mr. Worker E, earning $3,325 a year, could be expected to reduce his hours by 15 per cent and wind up with $500 more income than he would have gotten without the guaranteed income plan.

Basic data used by Prof. and Mrs. Tella in the study was a survey conducted by the Census Bureau in February, 1967, for the Office of Economic Opportunity.

Approximately 30,000 households were asked how they spent income, such as rents, dividends and interest, from sources other than wages.

That extra income was used as a proxy for wage supplements in the Tella study.

How it was spent was the basis for the Tellas' conclusions on what lower income families would do under a guaranteed income plan.

Prof. and Mrs. Tella told NATION'S BUSINESS that their approach had advantages over other studies, including a pilot project in which a group of families in New Jersey were given wage supplements.

The Office of Economic Opportunity reported that test showed work effort did not diminish as a result of the payments.

By using the census data, Prof. and Mrs. Tella say, they were able to draw a national picture, avoiding possibly atypical aspects of a smaller area.

The Hawthorne effect

Also, they point out, they were able to escape what researchers call the "Hawthorne effect," in which the subject of an experiment tends to react the way he thinks the experimenter wants, rather than reacting normally.

"The fact that you are the subject of an experiment makes you behave differently," the professor comments.

Furthermore, people involved in such experiments as the New Jersey project, he says, are aware that the projects are temporary.

"They might be reluctant to cut down on their work hours if they aren't sure the payments would be continued.

"They don't know what's around the corner when the government goes away."

The Tellas' study did not take into consideration proposed requirements that welfare recipients accept jobs or take training for employment as a condition for benefits under the Family Assistance Plan.

"It doesn't seem likely that the

work requirement will be very effective," Prof. Tella says.

Wage earners receiving supplements would apparently meet the work conditions even if they reduced their incomes and escalated the costs of the plan.

Another factor, he continues, is a perennial problem in government job-training programs—a limited number of openings.

"There are never enough training slots," he says.

The availability of jobs will depend to a great extent on business conditions, the professor points out. He presses the view that the work requirements of the bill could turn out to be "a paper tiger."

Swelling the rolls

In assessing negative income tax plans, you must consider families just above the income level for welfare payments, as well as those below, the report points out.

By dropping below that level into the ranks of those eligible for welfare, the worker recoups a substantial part of his lost wages through the welfare payments and gains more leisure time as well.

So the income level at which a worker would no longer find it advantageous to cut his earnings in favor of welfare supplements would be the effective cutoff point of any guaranteed income plan—not the lower levels designated in the plans.

Basic to the problems underscored by the Tella survey is this fact: Under a negative income plan, reduced earnings no longer translate directly into reduced income.

Prof. Tella explains: "Before the introduction of the plan, a dollar loss of earnings meant a dollar loss of income." But, because the supplements rise under the plan as income drops, "each dollar reduction in earnings is accompanied by a 50-cent or 33-cent" loss of income only.

In a broad view, the report states: "Reductions in labor in response to the income supplement and tax rate on earnings of a negative income tax plan result in a loss of output, increase the . . . cost of the negative income tax plan itself and diminish the efficacy of the plan in raising low incomes." END



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This Month's Guest Economist

Leif H. Olsen
Senior Vice President
First National City Bank

Why Consumers Will Spend

The behavior of consumers—their decisions to save more or to spend more—is determining the strength of economic growth in 1971. Economists agree that the consumer is leading the way to stronger growth but they disagree on why and how much the consumer will spend. This disagreement, to a large extent, has accounted for the differences in GNP forecasts.

Some economists and businessmen view the consumer as unpredictable. They regard his willingness to spend as subject to so many variables that it defies rational analysis. But if the consumer's spending moods are so subject to unpredictable changes in psychology, one would expect consumer spending to move without any well-defined pattern.

This, of course, is not the case.

Changes in personal consumption expenditures display a very definite pattern. The rate of change in these outlays slows sharply before and during recessions and increases rapidly during recovery periods. If there is such a distinctive pattern in changes in personal consumption expenditures, then there must be much more to consumer behavior than mere caprice.

Since the second quarter of last year, the consumer's saving rate—that portion of after-tax income which is not spent for goods and services—has been above 7 per cent. This is unusually high.

Now I would like to make the point here that with the saving rate well above 7 per cent the potential for sudden sizable increases in consumer spending is present. In other words, it is a bullish factor, in comparison to a more "normal" saving rate. With personal income—after taxes—totaling $685 billion in 1970, for example, a 1 per cent change in the saving rate can shift $7 billion into the spending stream. But, of course, there are many who believe that this kind of a change in the saving rate will not occur so long as consumer confidence remains at a low level.

Among the consumer's worries, say some analysts, is the high level of unemployment. The general belief is that the consumer will not step out and spend aggressively until there is clear improvement in the unemployment picture.

In other words, if a man sees his neighbor out of work, he will remain a cautious spender.

Yet, if you were to compare changes in the unemployment rate with changes in personal consumption expenditures during past periods of recession and recovery, you would find that spending surges first—in some cases, six months or more before the unemployment rate begins to decline.

There are other more basic explanations for bullish changes in the consumer's mood. His willingness to spend is determined not so much by his state of mind as by the state of his pocketbook. It is the Federal Reserve system, which controls the rate of growth of money supply, that determines the growth of incomes and the condition of the consumer's financial position.

Economists tend to speak impersonally in terms of enormous national aggregates. When we say that the recession has been mild, for example, this sounds strange to the individual who has been unemployed for several months.

Similarly, when we say that the consumer's money position has improved, it sounds ridiculous to the factory worker who has been receiving less overtime pay in the past 12 months.

When we use the word "consumer" it leads to an implication that the consumer is monolithic and that when personal consumption expenditures begin to rise, most, if not all, consumers are participating in this increase.

But, of course, this cannot possibly be the case.

In an issue of our *Monthly Economic Letter* earlier this year, my associate, Peter Crawford, pointed out that swings in consumer spending are likely to be concentrated in upper-income, upper-wealth families.

For example, in the past two years, almost all of the decline in auto purchases was accounted for by families with incomes above $8,000 a year. Those with incomes of less than $8,000 held their new car purchases about constant.

Now, this is important because upper-income families buy more new cars than any other group. Less than one third of all households have incomes of over $10,000 a year. Yet those families account for about three fifths of all new car sales.

Similarly, purchases of new homes and other durable products are concentrated in the upper-income brackets. The point is that a small—though significant—group of consumers has a disproportionate effect on the wide swings in spending.

Now as these consumers start to spend, reflecting improved wealth and liquidity levels, a more pervasive effect on income begins to take place.

Thus does monetary policy determine changes in the rate of growth of personal income.

For the two years prior to last spring, increases in consumer debt, including mortgage credit, were unusually small. However, with improved income growth since last winter, the consumer's ability and willingness to borrow has increased and supplemented spending.

At this particular time there is evidence that retail sales are running stronger than in 1970.

Changes in the money supply relate in a systematic pattern to changes in the value of financial assets, changes in income and changes in consumer spending. Keeping this relationship in mind—rather than the recent moods or sentiments of the consumer—you can expect consumption expenditures to continue to be stronger in the remainder of 1971.

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How to Get on Top of Your Job



DRAWINGS BY CHARLES A. DUNN

Singer Della Reese said on a television talk show that the two most significant things in life are time and thought. Of the two, time is most important, she added. Without it, one could not think.

There may be a lesson here for businessmen.

Traditionally, they have made a fetish of keeping busy. Undue emphasis on busyness may be robbing decision-makers and managers of the time to think.

All men are equally endowed with time. Each has exactly the same amount in any day, week or year.

Why then are so many managers constantly complaining of lack of it—while others seldom, if ever, have to rush to get things done?

Clearly the harried have trouble fitting their jobs into the amount of time they want to devote to them. Possibly some jobs are too big for the men in them, but more likely the problem is one of job control.

Executives must learn to discharge their duties within the time they have. In other words, you must control the job or expand the time you devote to it.

If you wish to cut down on your duties to fit your time, a new vision is needed.

At whatever level you work, your duties will originate mostly from these main sources:

Your job itself, your boss, your subordinates, your peers, leftovers from your old job and your own creativity.

Here are some hints on how to handle them—and still be a top performer in your organization.

A man's home is his castle, and your job is the home where you spend your business life. One has the right to paint, remodel or tear down the rooms in his castle.

Don't occupy your job as a renter, begging for improvements and maintenance. Move in as an owner with the right to shape routine, not accept it.

The fat left over from previous occupants in your job may be your downfall. Strip it out. Equally important, don't replace it with fat of your own.

Above and below

Your boss would be a noncreative, harried soul in his own right if he were not regularly coming up with new dimensions for you. The man who does not welcome this is probably not on top of his job.

Try not only to be ready for assignments from above but to anticipate them. Never indicate that they will interfere with other ongoing projects. Accept the challenge. In fact, seek out meaningful work from your boss —volunteer.

Those you supervise should also be shaking up your routine. If your time seldom or never gets eroded from below, then there's not much creativity or imagination down there. Business as usual from below can indicate that you have not taken time in the past to act or react to ideas from subordinates.

Listen to them. They may be asking you to do something to lighten their load and your own.

Also, don't discourage associates who need you but do not have the organizational right to call on you. As long as they are not asking you or your people to do their routine work, pitch in and help.

Otherwise, they may work all the way up the organization and down to you, officially obtaining the right to draft your services.

Often, people who throw you the ball without organizational authority look on you as a guy who gets things

CHARLES R. MURRAH, *author of this article, is vice president for corporate projects, The Mutual Life Insurance Co. of New York.*

done. They're paying you a compliment. Usually, they are higher up in the ranks, meaning that you are visible to top management—and not lost in the organization charts. Help them, but do it quickly. This way, you enhance your reputation but don't lose job control.

Leftovers from your old job are almost entirely disposable. Walk away from them; leave them to your successor.

Be no more than an adviser to him—and then only when asked.

Finding free time

This will free time for your new assignment.

Your own creativity should be a source of many duties. If not, you are evidently being overcome by duties generated for you by others.

Most people are able to add a personal dimension to their jobs. But many are prevented from doing so by getting bogged down in duties thrust on them by others.

Fight for duty-free moments on the job.

The essence of good job control is to remove nonessential duties so that what's left can be done in less than a working day.

Executives are tempted to fill up a day with activities as a matter of pride—but at the price of time for creative thought. If you do this, your creative capacity can manifest itself only on the golf course, in a bar, on a train or at home.

Good job controllers manage their duties so as to free time for creative development while they are in the office.

The irony of job control is that it is not a matter of degree. Either one can or he can't.

Most certainly there is a degree of ease. Some do it with little apparent effort, while others struggle. But



Take time to think.



Shape it yourself.

every manager either has control of his job or he doesn't. If he does manage his job, he's a worthwhile part of the larger enterprise. If not, he's a drag at whatever level he operates.

Changing for the better

Your creativity is likely to be most significant in your gaining a reputation and in the final evaluation of your performance by your superiors.

Perfunctory performance of routine duties, no matter how skillfully done, is just not enough to assure advancement.

Your job is challenging you to change it for the better. Every person who thrusts duties upon you—from your boss to your lowest-paid employee—is pleading for you to use your mind to create a better way to get the job done.

It's as though the entire organization is saying: "Don't be a busybody with a crowded calendar and a daily list of duties too long to achieve. Be a job controller who fights for time to think things through creatively in the interest of improvement."

Strive for that caught-up feeling. It gives everyone around you the confidence that more than your daily duties occupy your mind.

When creative ideas do spring from your mind, your reputation is enhanced and your value to the organization truly shines through. END

REPRINTS *of "How to Get on Top of Your Job" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: one to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

A Place in the Sun for the Migrant

When Coca-Cola took a hard look at the lot of the workers in its Florida orange groves, it didn't like what it saw; now, it's helping them to acquire homes—and hope



Machines can take a man to the moon and bring him back to a hero's welcome, but no machine can pick an orange properly.

The only way to get an orange—or a grapefruit, lemon, lime, tangerine or tangelo—out of a tree without hurting it is for a man to take the fruit from the branches with his bare hands.

The man needs infinite patience, and tough skin because sun in the groves burns hard and deep. He needs a strong back, powerful legs and limber wrists, because fruit must be twisted off instead of pulled off. And he needs a cloth bag for the fruit as he picks his way down a 35-foot ladder to the bottom of the tree.

He needs little more intelligence than is required to tell if the fruit is ready for plucking.

Historically, the fruit picker has been at the lowest level of the labor market, and he's had a life style to match. He hasn't even had a home; he's been a migrant worker.

But this is changing. The Coca-Cola Co. is leading the way.

The best perspective for viewing the change, which amounts to nothing less than a rearrangement of a segment of society, is from the banks of Lake Clinch in the settlement of Lakeview Park, Polk County, in the heart of the Florida orange country.

There, the first 28 families can be seen in the evening on the stoops of new houses which they are buying with Coca-Cola backing. After a hot day in the groves they sit and rock, watching their children play in the sand and swim in the lake.

Great live oaks draped with Spanish moss are overhead, and a breeze off the lake moves through them. The houses are on paved cul de sacs. Inside, there is modern plumbing and kitchen equipment.

The houses, which have from two to four bedrooms, cost from $15,400 to $17,000, and they are being bought by workers as fast as the company can oversee administrative work, and help arrange loans through a Miami mortgage banker and the Federal Housing Administration.

Eventually, Coca-Cola expects to have the families of 500 fruit pickers and 300 other citrus groves workers who are employed in the production of Minute Maid citrus concentrates living in new and attractive homes.

The workers will all own their own homes.

For decades, workers such as these have lived in buildings that were provided rent-free. But they weren't much. Many didn't have glass in the windows, some had no doors. Toilets were out back.

Pickers occupied these shacks for six or seven months a year, and when the season was finished in Florida they would make their way north to



Modern homes in Coca-Cola's new town for its former migrant workers will replace rundown housing, offer new comfort and dignity for the men and their families.



PHOTO: CHUCK ROGERS—BLACK STAR

pick peaches in Georgia and South Carolina, apples in the Carolinas, Virginia, Pennsylvania and New York, tomatoes in New Jersey and cherries in Michigan. All the way up the line, it was the same—hard work, low pay, no home, no hope, no one who really wanted them to stay any longer than necessary.

Late every summer they would beat their way back to Florida to start the dismal cycle all over again.

Other groves workers ranked only slightly higher than the pickers. They, at least, stayed in Florida where they attended to grove fertilizing, tree pruning, spraying, weed cutting, planting and cleaning up.

Now The Coca-Cola Co. is providing incentive, instruction and money which will measurably upgrade the lives of its pickers and permanent groves workers.

All 300 of the permanent groves workers have been given increases in

A Place in the Sun for the Migrant *continued*

pay. More than 200 pickers also have been given full-time jobs which will anchor them in central Florida.

Soon 100 more pickers will go on regular job status, and eventually the total will go to 500 permanently employed pickers.

The company will use these permanent pickers—it will continue to hire some local workers on a temporary basis—to pick lemons and limes when they're not in the orange groves. They also will do maintenance chores—some of it, perhaps, falling into the "make-work" category. Vacations will round out their work year.

Full-time pickers and groves workers receive full company benefits, including paid holidays and vacations, life and health insurance, pensions, and company matching funds for personal savings plans.

In addition, the company has financed and organized a large day care center where youngsters now stay during picking time instead of—as they once did—bounding about beneath the orange trees and distracting parents at work.

Pickers' older children, whose schooling formerly was spotty because the parents were so frequently on the move, now go to Florida public schools like other year-round residents.

A fleet of 25 new Coca-Cola buses takes workers to and from the groves. The buses are outfitted with toilets for workers' use during the day.

Frost Proof's cold shoulder

The company initially spent $40,000 on a water treatment and sewerage system for Lakeview Park when the town of Frost Proof—whose name is not a 100 per cent accurate description of the local climate—refused to extend services to the village.

All architectural, legal and advisory fees were paid by the company in setting up Lakeview Park, and it will do the same for similar settlements which are planned. Seventy acres of valuable orange grove land have been converted into the housing area so far.

Coca-Cola puts on night classes to teach all sorts of things, including good buying practices, business and banking methods, how people should behave when they live in communities, how the democratic process works, and how to care for appliances and other property.

Classes in reading and writing were started after one employee, trying to sign for a $17,000 house, could not write his name. He didn't even know which end of the pen to use.

A new dormitory and recreation complex was built last spring for single migrants. A cafeteria serving "two hots and a box"—meaning hot breakfast and dinner and a box lunch to take to the groves—was set up. The price is $2.35 a day, exactly what the meals cost Coca-Cola.

All the old shacks were upgraded months ago, since most of them will remain in use until new housing is completed.

The company already has spent $2 million on what it calls the "Agricultural Labor Project" and a flat commitment has been made by Coca-Cola President J. Paul Austin to spend more if necessary.

Unpleasant surprise

Mr. Austin's one requirement is that the project be successful in giving the workers a decent way of life no matter how much cost or effort is involved. It is a total commitment which he described last year during a Congressional hearing on migrant workers. He has repeated the pledge many times.

In 1968, Mr. Austin told the hearing, he had begun reading about alleged substandard living conditions for migrant workers in California, and realized he was not clear in his own mind about the treatment workers were getting on Minute Maid's 37,000 acres of fruitlands, spread across 20 Florida counties.

Coke had taken over Minute Maid in 1960, and growing fruit and making citrus concentrate were far different from producing Coca-Cola. Minute Maid's headquarters were in Auburndale, Fla., Coca-Cola's were in Atlanta, Ga., and Coke's foods division was headquartered in Houston, Texas. Somehow executives in Atlanta had not been adequately informed about conditions in Coke's Florida groves.

Mr. Austin told J. Lucian Smith, president of the foods division, to go to Florida to check up. As Mr. Austin tells it:

"Mr. Smith personally visited the groves in December, 1968. He was so upset by what he saw that he came immediately to Atlanta to talk to me. He told me that many of the migrants in our groves were living in conditions that 'could not in conscience be tolerated by The Coca-Cola Co.'

"At that meeting he and I agreed that we must establish a program to correct these conditions and commit whatever funds and talent were necessary to do the job."

William Kelly, an experienced Coca-Cola personnel executive and a vice president of the foods division, was sent to Minute Maid's Auburndale offices to head the operation. Scientific Resources, Inc., a New Jersey firm, was brought in to consult on human relations.

The first SRI advice was that Coke must avoid welfarism at all costs. Instead of trying give-away plans, SRI said, Coke should help the workers to help themselves in buying their own homes, and improving their living conditions. Coke agreed. As Mr. Austin puts it, the company wanted to "replace generations of despair with hope and ambition."

A team that's headed by Mr. Kelly and Stan Silverzweig of SRI set up a series of worker boards which operated on the principle of having migrants run their own affairs. Only workers are members of the boards; SRI and Coke merely serve in advisory capacities.

Early in the program, SRI realized that many migrants had ambitions parallel to those of middle-class Americans—they wanted to own their homes, they wanted modern conveniences, and they wanted better schooling for their children. They weren't overly concerned with politics.

When time came to name roads in Lakeview Park, they selected "Marshall Street" for one. SRI and Coke thought Supreme Court Associate Justice Thurgood Marshall, a Negro like most of the migrants, was being honored.

But no, the workers had in mind Herman Marshall, a popular migrant who served on some of the boards.

L. Duane Stark, an architect for Schweizer Associates of Winter Park, Fla., was engaged by Coke to design and direct the building of housing which would please the migrants. His

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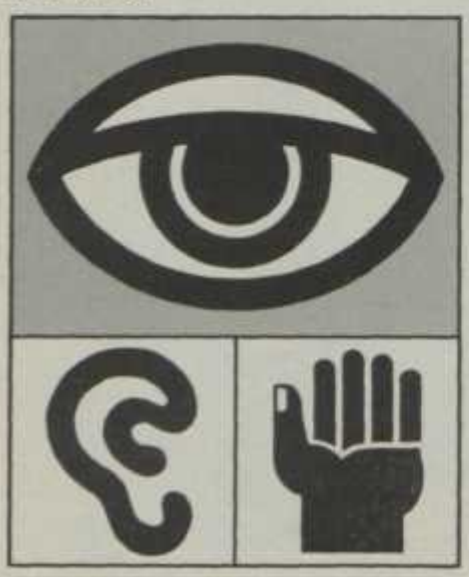
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Many of the problems visual communication solves are thought of as "little" problems. They're often overlooked and ignored until they've cost unnecessary time, effort and money. Here are a few of the kinds of problems, and how visual communications could have prevented them:

☐ A piece of machinery needs costly repairs because someone unknowingly let the temperature rise.



☐ An entire shipment is below standards because the wrong materials have inadvertently been used.



☐ An important customer wastes 15 minutes looking for a department in a plant.



☐ A key employee is disabled for three months because of a forgotten safety rule.



☐ A burglary occurs because a side door was left unlocked overnight.



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The only way to get an orange from a tree without damaging it is for a man to pick the fruit off with his bare hands.

work's success is assured by now, but still, some migrants won't be living in the homes. They don't want to.

These are people who, no matter what is done for them, cling to their old way of life. They like to drift across the country. They like to work only six months a year, and perhaps three or four days a week. Regular education for their kids? Insurance? Pensions? They couldn't care less.

Such hard core migrants aren't the only ones who have turned their backs on what's called, locally, the "Coke Plan." There has been opposition from labor and liberal organizations in Florida and Washington, and from some archconservative growers in central Florida.

These growers complain that Coke can afford to upgrade its workers' living conditions, but that they cannot. They say Coke is setting precedents which ultimately will bankrupt some of them. They see no sense in trying to anchor migrants to year-round work and they claim few migrants want to stay put anyway.

The liberals say Coca-Cola hasn't done enough, and they blame it for conditions existing four and five years ago, rather than acknowledging that those conditions are vastly improved. They also say Coke takes credit for help which actually comes from the government—for example, federal loan guarantees for homes.

The Coca-Cola Co. first felt the impact of public criticism in connection with treatment of migrant workers in the summer of 1970, after a National Broadcasting Corp. television show. The show, a documentary about migrant fruit pickers, lashed out at Coke.

Afterward, the company, which had long had a happy relationship with the public, found itself being called names and threatened with boycotts.

Coke felt the criticism was grossly unfair, for a number of reasons. For one thing, it employed less than 1,200 of the 250,000 migratory farm workers in the United States. More important, it had launched its uplift plan, on its own initiative, nine months before the NBC program was broadcast.

Until recently, Coke and SRI representatives met deep-seated distrust even among those the uplift plan was designed to help.

Migrants could not believe that somebody was finally doing something for them, that they weren't eventually going to be made to pay for improvements on their shacks, or that getting them to sign for $17,000 houses was more than "a white man's trick" to plunge them into debt forever.

Stroke of good fortune

Then, feelings changed.

Says Arletta Tillman, a black social worker engaged by the company to help bridge the gap between company and migrant:

"The thing that began to convince these people that the company is sincere and that their future lot is going to be better was the sight of those houses actually rising out of the ground. Houses are tangible and permanent. The people could go up and feel them, stroke them."

Now that the houses are actually being occupied, not only migrants have been won over. Some liberals have been, too. And several citrus companies in Florida and California are getting periodic progress reports from Coke, and considering implementing parts of the Coke Plan for their own groves.

Coca-Cola, meanwhile, has made a happy discovery.

It's entirely possible that in another two to three years, when the plan is fully operative, Coke will be saving money.

Why? Because:

- Former migrants tend to pick more oranges than migrants do.
- More of the best and fastest pickers in central Florida—those who pick 100 to 125 boxes a day—are gravitating to the company.
- The company no longer has the expense of sending buses to recruit pickers in 11 states (it used to take 4,700 migrants a year to maintain a steady picking force of some 1,000) and it's no longer necessary to fill in gaps through the expensive, red-tape-filled process of hiring Jamaicans.
- Fewer company dormitories for single migrants are now needed.

The whole project could turn out to be good for profits as well as for people. END

DYNAMIC GROWTH COMPANIES

Alma Desk

An old-line family firm stays up to date

"Twenty years ago we were the caboose of the industry," recalls Charles E. Hayworth, the bird-hunting president of 85-year-old Alma Desk Co. of High Point, N. C.

Today it is the largest manufacturer of wood office furniture in the United States. Sales last year were $20 million. In 1950, they were $1.7 million.

He doesn't expect much of an increase this year, but it's not because of market conditions. He explains: "We just can't squeeze another desk out of the plants."

This makes him both happy and chagrined. Until 1970 he had carefully orchestrated increases in production to match anticipated sales. Last year, however, sales got out of hand.

"A fellow ought to be allowed a mistake every now and then," he says laconically.

Metal office furniture manufacturers have the lion's share of the market and while Alma is not a giant in comparison, its surge forward is clear evidence that a small family-owned enterprise can compete successfully and grow. In Alma's case, sales growth in the past decade has been a solid 500 per cent.

Mr. Hayworth, a 57-year-old Carolinian who looks fortyish, gives credit to long-range planning, assembly line production and maximum use of modern-day marketing and distribution techniques for the firm's success.

To that add a dash of old-fashioned entrepreneurship and insistence on controlling all phases of production to insure quality.

Alma doesn't grow the lumber nor make the metal hardware, but other Hayworth-owned firms produce just about everything else that goes into its office furniture.

Alma's basic raw material—plywood—comes from a family-owned, light industry complex of five interlocking companies with 1,200 employ-



Next to making desks—100,000 annually—bird-shooting enthusiast Charles E. Hayworth (right) likes to take to the fields with long-time hunting partner Clyde Southern, superintendent of Hayworth lumber operations. Mr. Hayworth used to hunt quail in Yucatan, but leading Alma Desk Co. to a decade of rapid expansion has crimped his nimroding. Now he mostly hunts from horseback on a 17,000-acre Carolina lease, yet still manages to make it to Canada each year for geese, duck and grouse.

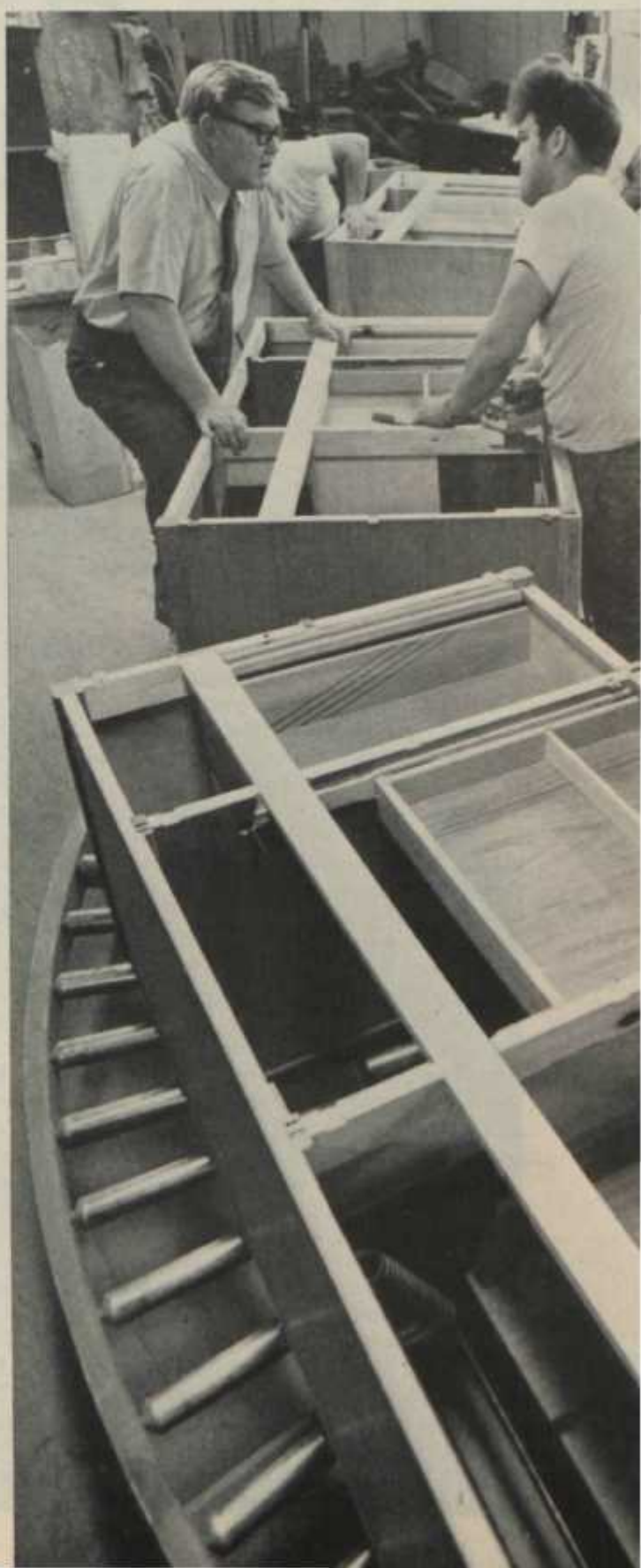


Flipping through "company gold," Mr. Hayworth is examining a stack of costly hardwood which is sliced to a thickness of one thirty-second of an inch to make expensive matching veneers for desk tops, sides and drawers. Ninety per cent of wood used is walnut; remainder is teak, oak, rosewood and Mozambique.



Alma board chairman is pioneer North Carolina businesswoman, Mrs. Myrtle Hayworth Barthmaier, 79-year-old widow of the founder of Hayworth Industries. Quality and service, she says, are "just good business."

Sign of serene labor-management relations is fact Alma Co. hasn't faced a unionization attempt since World War II. Vice President (Personnel) Rev. Joe Hayworth (left) an ordained Episcopal minister who returned to family business few years back, is credited by Charles Hayworth as being key factor in maintaining traditional direct relationship with employees during big work force expansion.





Alma designers, under direction of Sales Vice Presidents David Hayworth (left) and brother-in-law Frank Dalton (seated) will provide a complete package down to ash trays. Wave of future is area landscaping, say Alma officials Decorative, noise-muffling partitions shown are chosen to maximize use of costly office floor space while at the same time creating feeling of openness and freedom. Charles Hayworth claims wood is ideal material for this new concept, which is fast winning favor.

ees. In High Point, they are called the "Hayworth Industries." They're the city's second largest employer.

Some 7 million board feet of lumber are processed annually by Hayworth Roll and Panel Co., Liberty Veneer Co., and Dozier Face Veneer Co. as well as by the Alma Co.'s plants. The fifth enterprise is Clarendon Industries, a joint venture to produce office chairs.

The Hayworths are plywood-oriented and have been since 1904. That's when Charles E. Hayworth, Sr., a 22-year-old Quaker farmer, built the first plywood plant in the High Point area. In 1921, he bought the adjoining Alma Furniture Co. and concentrated its production exclusively on desks so as not to be competitive with other local firms his plywood plant supplied. The firm's name was changed later to Alma Desk Co. In 1928 the elder Hayworth died at the age of 46, leaving a young widow and six children. She managed the family businesses through the lean days of the Depression while raising four sons, all of whom are officers in Hayworth businesses, and two daughters, who are stockholders.

When he graduated from North Carolina State in 1936 (with a degree in business administration), Charles Hayworth became president of the family plywood firm at the height of a plywood boom. He pledged everything to float a loan, bought another manufacturing facility and "nearly lost his shirt" the next year when the bottom dropped out of the market.

When Mr. Hayworth became president of Alma in 1950, he was still wary, but totally convinced that wood could compete with metal in the office furniture market. He envisioned conveyor systems and Detroit-style assembly line production techniques to raise productivity.

These were techniques he had been exposed to as a World War II Army officer in North Africa and Italy while with combat vehicle repair and assembly units.

The anticipated increase in sales would mean a need for more plywood. First step was to modernize the family plywood plant, which took $1.5 million of "carefully conserved capital." In three years, its sales increased 10-fold and Alma Desk Co. was taking only 15 per cent of its output.

Meanwhile the desk company's design staff was busy on new product lines, concentrating on modular units. Mr. Hayworth simultaneously was revamping the 2,000-firm dealership organization and closing showrooms and warehouses where rapid transportation made them obsolete, simultaneously adding new ones in more strategic locations.

From then on it was a matter of steady expansion of production to match sales. By 1968, however, Alma's demands "were about to strangle the plywood plant," which prompted the purchase of a German-made automated press. Today it is on the line, providing 85 per cent of Alma's plywood needs, and once again the Hayworths have the basic ingredient for expansion—an ample supply of their own plywood.

Mr. Hayworth these days contemplates 137 acres of family-owned prime industrial property on the east side of High Point, and talks of building a new office furniture complex there. It would incorporate all the tricks of the trade he has learned since starting to work in the Hayworth plants after school at the age of 11.

"It will be a humdinger," he predicts. END

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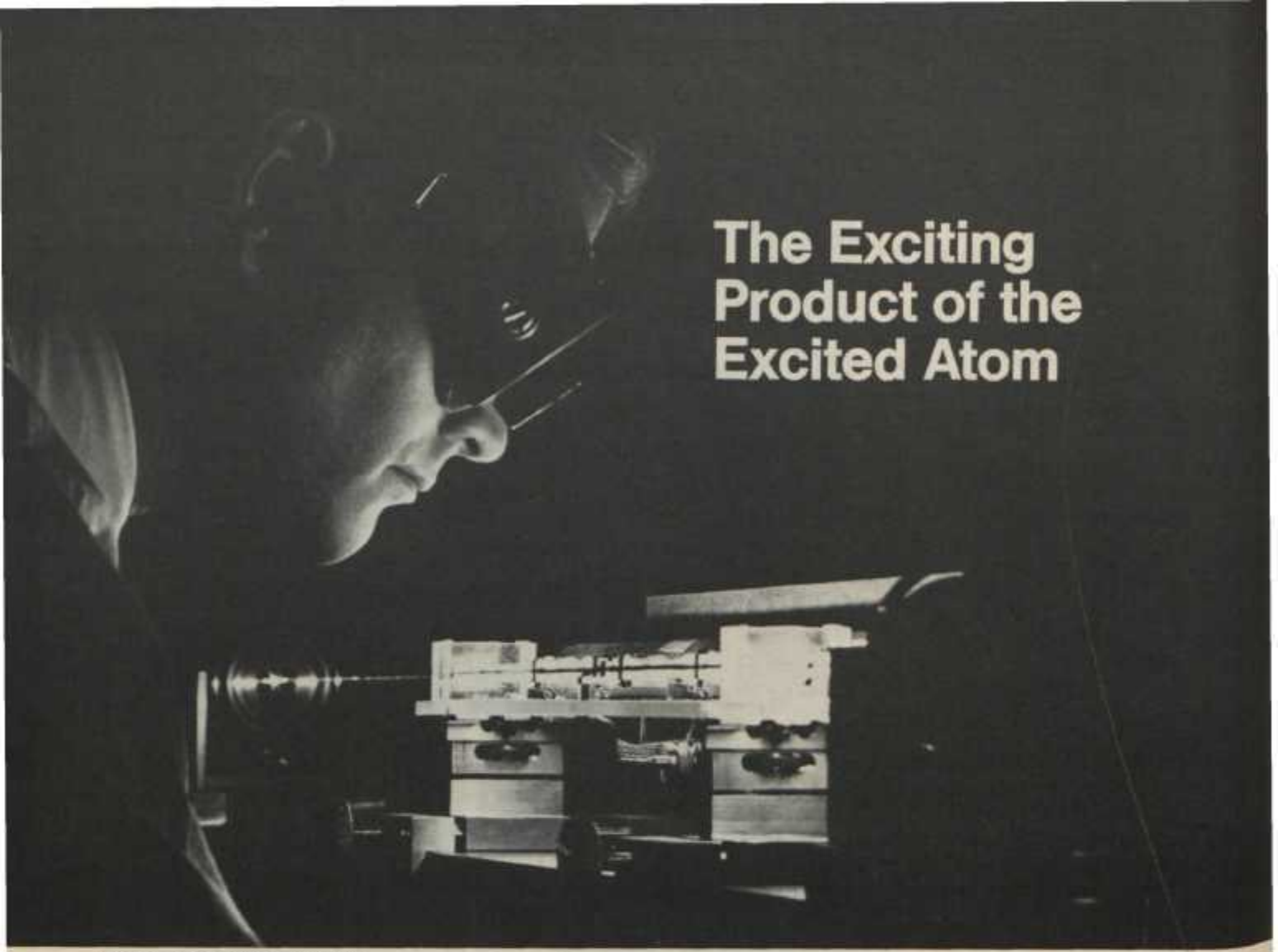


PHOTO: ELLIOTT ERWITT FROM MAGNUM MAGAZINES

Lasers (an acronym for "light amplification by stimulated emission of radiation") have been created from hundreds of different materials. Engineers such as this man are trying to determine which materials are best.

The laser, that new type of light, has almost limitless possibilities—it can cut, heal, compute, carry power. . . .

Ten years ago the laser was the hottest breakthrough in technology.

All sorts of exciting possibilities had been opened up by this revolutionary form of light, which is so powerful it can vaporize the hardest steel, yet is gentle enough to repair torn tissue inside the human eye.

Experts heralded the birth of an exotic industry, and expected it to become a billion-dollar giant almost overnight.

It hasn't quite moved that fast—the boom so far is only a boomlet, with hardware sales plus research and development work on lasers climbing to only about $100 million in the United States last year.

But most scientists still consider the laser the hottest item in technology.

To a large degree, the industry has lagged because of the rush of events. Laser research was unusually fruitful during the 1960s—so much so that the field was kept off-balance commercially. Most new equipment became obsolete soon after it came on the market.

Now, however, the most far-out, gee-whiz predictions are reported nearing reality for the Pentagon and for many businesses.

At the top of the far-out list is the death ray. It was widely predicted in the early '60s that laser death rays would soon make their appearance. The arrival date turned out to be faulty, but the basic feasibility of what the military calls "beam-type weapons" is not in question today.

J. S. BUTZ JR., *author of this article, is an associate editor of Nation's Business.*

Air Force Maj. Gen. Donald T. Nelson says the B-1 strategic bomber, which the Defense Department hopes to have ready by 1980, will carry "beam-type weapons" to defend itself against missiles and manned interceptors.

Most probably, the B-1's lasers would be operated by its jet engines' exhaust streams.

"Exquisitely simple"

The operating principles of these jet engine devices are similar to those for all lasers. According to one scientist, Clarence F. Luck Jr. of the Raytheon Co., they are "exquisitely simple machines."

Basically, lasers consist of a tubular "reservoir" of matter in solid, liquid or gaseous form. There must be a mirror at each end of the reservoir.

To turn the laser on, an external power source is used to excite the atoms in the reservoir.

Almost every type of power has been used—from high voltage electricity, to the chemical combustion in an engine, to light from high-power flash lamps.

It makes no difference if the excited atoms pass through the reservoir at high speed as they do in a jet exhaust. They are standing still compared to the laser action, which takes place at the speed of light.

Once they are excited, the atoms in the reservoir give off light of one specific color (i.e., light of one specific wave length). This is one of the unique features of laser light; it is "purer" than any other light, in that its color is so precise. Light from other sources might seem to be of a single color, but it actually is a mixture.

When a laser is operating, most of the light from the excited atoms escapes out of the sides of the reservoir, so that it glows.

But part of the light bounces back and forth between the mirrors until it is amplified into a powerful beam. The beam finally escapes through one mirror, which is less reflective than the other.

This amplification process gives the laser beam another uniqueness. As the light waves bounce between the mirrors, they line up so they are all going in precisely the same direction. And they arrange themselves so they are in phase, with the waves moving in exact order, one after the other.

Conventional light bulbs and all other sources of light, including the sun, scatter light energy in many wave lengths and in every direction, with the waves out of phase and interfering with each other. It is this orderliness of laser light (called coherency) that has excited scientists, most of whom were raised on the idea that it could not exist.

Because of their orderly light, lasers can be used to make the most precise measurements ever made, can carry extremely large volumes of communications signals in the manner of radio waves, and can transmit huge amounts of energy as a high voltage power line does—but without wires.

Military researchers have made extremely powerful lasers from aircraft turbojets and rocket engines by placing two mirrors so they face each other, on opposite sides of the exhaust stream.

Such large lasers have power in their beams of more than one million watts, enough to down a plane at a range of several miles.

Defense Department officials generally say that the power transmission and death ray possibilities of the laser have been "exaggerated" and that many difficult engineering problems must be solved.

For example, Kent Kresa, an official in the Department's Advanced Research Projects Agency, reports that as of now, "when looking at almost any military mission from a ballistic missile defense to bombardment of a target, it becomes obvious there are cheaper and more efficient ways of accomplishing the mission than with lasers."

PHOTO: THE SMITHSONIAN



Laser beams contorted by sound waves create abstract art in motion. This is Michael Campbell's constantly changing "Laser Odyssey," which was exhibited at the Smithsonian Institution in Washington.

Open for business

However, government researchers should be getting more and more of a hand from private sources in solving laser problems.

At first, the Defense Department kept laser work highly secret, but now its policy is to open up as much as possible. "Hopefully," says Mr. Kresa, "this openness will stimulate extremely rapid progress in lasers as it has with computers—with the U. S. taking a leading position.

"Actually, the military has just about the same interests in lasers as business and industry. It would be

The Exciting Product of the Excited Atom *continued*

difficult to overstate the improvements that lasers make possible in just about all technical fields, including communications, radar, computers and manufacturing methods."

Lasers are marvelous manufacturing tools because they can provide the most intense concentration of energy known to man. When focused through a lens to a tiny point, some lasers produce an energy density of more than 100 million watts per square centimeter. The surface of the sun, at less than one million watts per square centimeter, is cool by comparison.

Focused beams can drill through diamonds with an explosive bang in less than a thousandth of a second. Similarly, they can cut through the hardest metals. And with proper adjustment, they can weld instead of cut.

The diameter of the focal point of these systems is down to about one micron—0.0000394 inches. (The human hair is about 80 microns in diameter.) This makes possible a whole new order of perfection in micromanufacturing.

Instead of measuring tolerances in fractions of inches, it is more proper to say that holes can be drilled, and lines or cuts made, to a tolerance of a few molecules. And it is generally predicted that even higher accuracies can be achieved when industry learns to use lasers to their full capacity.

From plastics to surgery

A wide market potential exists for these laser tools, which use relatively little power, are of tabletop size and are easy to handle. It extends from factories working with metals and plastics to surgical rooms and dental chairs.

Lasers have made major time savings possible in the manufacture of miniature electronics parts (one task was cut from 12 hours to 12 minutes); they have been used to make stronger packing containers by cutting reinforced cardboard without weakening the edges as the customary knife does; and they are being employed as money-saving pattern cutters in the garment industry.

In experimental medicine, it has become commonplace for lasers to be focused on points inside the human eye to seal off broken blood vessels and weld detached retinas back into place. Hopefully it will be possible to use them as electric scalpels, which cauterize as they cut, to take out cancers and perform other massive surgery with relatively little shock to the patient.

Lasers also are being investigated as substitutes for the dentist's drill and to provide a new surgical tool inside the gum.

They may make their biggest commercial impact during the 1970s in communications and computers.

The Bell System is working with a low-cost system that can transmit more than 500,000 phone calls on a single laser beam. It could substantially increase the company's ability to keep its rates relatively low in the face of rising expenses.

In radio and TV, the laser offers the potential of millions of bands and channels, and an end to crowding of the airwaves.

Lasers also are making possible a revolutionary class of computers that process information with light instead of electrical signals. These optical computers have the potential of operating 100 times faster than the fastest of today's digital computers. And they could usher in a new era of miniaturization. Large computers that presently fill a room could shrink to desk-top size, with comparable reduction in their power requirement.

The light sources in these machines are semiconductor lasers, first operated in 1962. Most are smaller than the ball in a ball-point pen.

Microscopic "wave guides" take the place of wires and direct the beams from these tiny lasers through mazes of minute optical switches which can turn light on and off a billion times a second. The switches perform the same function as transistors and vacuum tubes in electronic circuits. The most successful ones to date were developed at the California Institute of Technology.

Lasers are being used in optical memory banks which can improve the performance of all computers, no matter how their information processing is done. Most large electronics firms are working on memory units using laser beams to store data on film or in crystals.

One of the newest systems, announced in June, is to be built by RCA under government contract.

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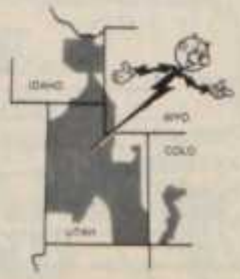
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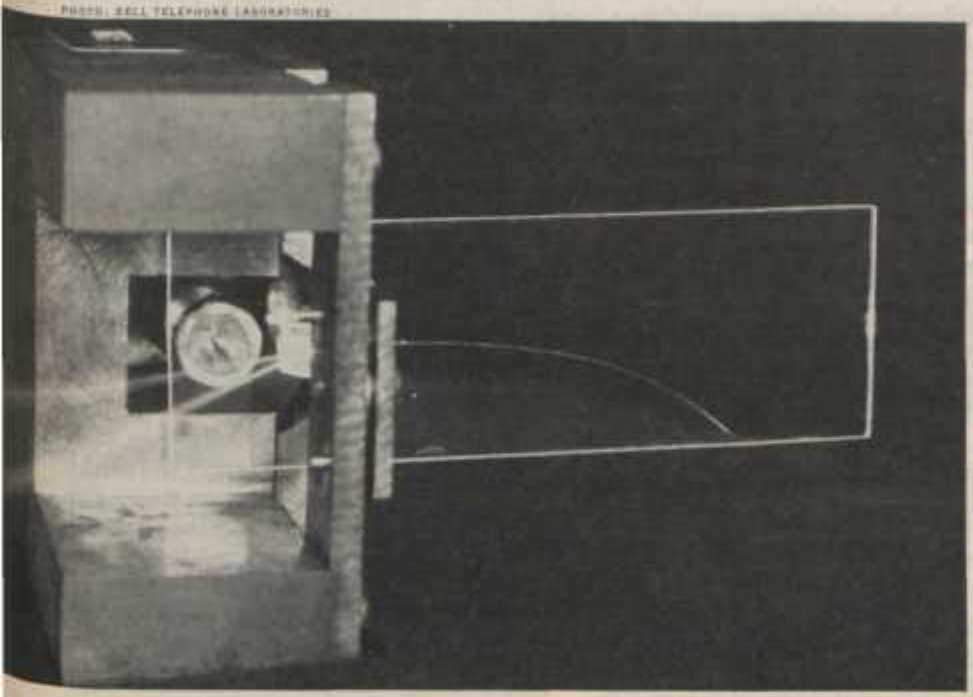
All television receivers now in the home could well be made obsolete by new models using a process called laser-holography. Holographic pictures are three-dimensional and far more lifelike than the old 3-D movies.

A holographic picture seems to move out of the screen; it gives the effect of a stage jutting out into the audience. The viewer can shift his position and see objects in the picture from different angles.

For example, assume the TV is showing the high-kicking line of Rockettes as seen from the wings of the stage in New York's Radio City Music Hall. If the TV watcher prefers to see the front of the line, he only needs to move to one side of the screen and he has the equivalent of a front row seat in the Music Hall. Or, he can move to the other side of the screen and get the view from the back of the stage.

The importance of laser-holography goes far beyond TV. Signals from virtually any type of sensor—radar, sonar and seismographs—can be converted into three-dimensional pictures using this technique.

PHOTO: BELL TELEPHONE LABORATORIES



A laser beam curves in a tiny wave guide at Bell Laboratories. These guides, about 100 times thinner than human hair, are used instead of wires in computers which do their work with lasers.

Such work is in its infancy, but 3-D pictures of airplanes in flight and objects underwater have been demonstrated.

Seismographic, or earth, holography is the newest variety—one which oil company engineers predict will be of great help in their prospecting.

They are processing seismic data in a computer to generate holographic plates. When laser light is projected through these plates it produces recognizable 3-D pictures of faults, anticlines, salt domes and other structures underground.

Similarly, computers can be used to create holographic plates of objects

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Product of the Excited Atom *continued*

that never existed. It's called synthetic holography. United Aircraft Corp.'s Pratt & Whitney division, for example, does this to look at jet engine parts before they are built.

Laser holography also is raising the testing of actual hardware to a new level of competence. This is possible because the laser can generate pulses of light no longer than the thickness of a sheet of paper. When these pulses are used to illuminate moving machinery and make holographs, it is possible to measure vibrational movements much smaller than any measured before.

As one turbojet engineer says, "We are seeing things we never even knew happened in a jet engine. It's another case of the laser providing answers to questions that we don't even know how to ask yet."

Other things to be done

A partial catalog of other laser applications in various stages of development would include:

• Illumination—Some forms of lasers may become practical as low-cost lighting systems for the home and office. The semiconductor lasers in computers are of special interest. So are some of the so-called dye lasers which use laser action to amplify light over large areas instead of concentrating it into a beam.

• X-Ray holography—Scientists are experimenting with three-dimensional X-ray pictures that will greatly improve a physician's ability to diagnose illness.

• Gyroscope—A laser beam, turned by prisms so that it shines back on itself and forms a ring, can be used as a gyroscope which is more accurate than the conventional spinning wheel type, allowing construction of improved guidance and navigation systems.

• Pollution control—It is possible to determine the type, quantity and location of air pollutants by observing the scattering of certain types of laser light beams when they are swept over an area.

• Surveying—Large-scale laser observations of satellites have made it possible to locate any point on earth to an accuracy of about three feet. Small laser transits are in wide use around the world for surveying and construction. The most advanced models reportedly can measure distances with an error of less than two inches in 15 miles.

• Ordnance—The armed services have bought large numbers of modified laser transits for use as range finders. They provide the information that gunners and dive-bomber pilots have always needed to achieve high accuracy: the exact range to the target at any instant.

From rubies to Scotch

Credit for development of the laser is split several ways.

Albert Einstein, Niels Bohr and other pioneers of quantum physics predicted, more than 50 years ago, that excited atoms would give off pure light of a specific wave length, with the wave length depending on the type of lasing material.

It wasn't until 1958 that a theoretical description of the mirror apparatus, and techniques necessary to amplify this pure light into a laser beam, were conceived. Charles H. Townes, with his brother-in-law, Arthur L. Schawlow, made the breakthrough while working at Bell Telephone Laboratories.

The scientific world was immediately intrigued by their work and widespread efforts were made to build a workable laser. However, it wasn't until 1960 that Theodore H. Maiman, at Hughes Aircraft Co., took the discarded idea of producing a laser from a synthetic ruby and experimented until he made it work.

Then the dam broke.

Lasers have been made from garnets, glass, argon, neon, krypton, nitrogen, carbon dioxide, rhodomium, gallium arsenide, and many other materials and combinations of materials.

"Right now there doesn't seem to be any end to the kinds of lasers that can be created," says Dr. Anthony J. DeMaria, director of electromagnetic research at United Aircraft Research Laboratories. "One man in England even made a laser out of Scotch whisky." END

A Million of Anything Is a Lot

With a national debt of nearly $400 billion, and a federal budget of more than $200 billion, many people may no longer realize how much even $1 million is.

But the students at Owen Marsh Elementary School in Springfield, Ill., do. They've collected a million bottle caps.

Mrs. Judy Kollmeyer and Miss Jane Lawder, teachers at the school, had found that students saw one million as just another large number.

So the collection drive was launched, to demonstrate how much one million of anything is.

It was tied in with language, arts and social studies. Letters were written to schools in all parts of the world.

A stream of caps began flowing in from 32 states and 20 foreign countries, and each point of origin was duly recorded on classroom maps.

Caps were stored at first in milk cartons, then in huge cartons from a local moving van company.

The most surprising thing to the students, Miss Lawder says, was the time required for the "physical job of counting" the caps one by one. "I wish," she adds, "I had kept track of the number of hours spent on that."

The project had the desired impact. Students had read about government spending, Miss Lawder notes, "and it was a little bit awe-inspiring for them to see how much a million is. I know it was to me."

What happens to the collection now? The school has had suggestions that students make boot scrapers out of the caps, or that they be compacted into a piece of sculpture, be used to pave a parking lot or be sold for recycling.

The school Parent-Teacher Association, meanwhile, has raised money with the caps. It held a contest based on guessing their exact weight. The answer: 5,787 pounds. END

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You, Too, Can Sell Abroad

The Commerce Department is moving on a broad front to whet American manufacturers' appetites for the sales plums available in other countries

Between 1960 and 1970, annual sales abroad of American manufactured products rose nearly 138 per cent, from $12.5 billion to $29.7 billion.

But in the same period, annual imports of manufactured goods leaped nearly 400 per cent, to $26 billion.

The shock of those figures had not subsided when the unbelievable happened—American exporters learned that in 1970 the United States lost its traditional position as the world's No. 1 exporter of manufactured goods.

Complete figures showed that West Germany, with 60 million people, was $3 billion ahead of the United States, with its population of 204 million.

And more recently, Secretary of Commerce Maurice H. Stans told Congress that the United States might wind up this year with its first negative balance of trade since 1893.

When a country, even one as rich, versatile and powerful as the United States, is caught in a disintegrating situation such as this, something must be done fairly soon.

To the rescue

That, obviously, is the way President Nixon feels. The balance of trade loomed large in his decision to suspend convertibility of the dollar into gold and to impose a temporary 10 per cent surtax on most imports, which he announced in August along with the wage-price freeze and a series of moves to spur the economy.

And earlier, the Commerce Department's Bureau of International Commerce came up with a series of projects which provide aid, information, incentives and encouragement for increasing exports.

• *The Master of Business Administration Export Expansion Program* is beginning to produce significant results for medium to small companies interested in exporting.

Under the program, participating universities provide, for work with the companies, students who are candidates for masters' degrees in business administration.

The students make close studies of company exporting capability; foreign markets and specific foreign customers; shipping arrangements; and duties and other customs requirements. Considerable information from abroad is provided by U. S. government agencies.

After several weeks of study, and visits to the company, the student prepares a report and submits it to the company. There is no obligation to accept the report or to follow its recommendations. But thus far, results are most promising.

Twenty universities and 300 students took part this year. Next year 70 schools will supply up to 800 student researchers. Students, of course, get academic credit. Only costs to the company are payments of $25 each to the school and the student, which defray out-of-pocket expenses. (Each participating university also gets a $1,000 Commerce Department grant.)

One firm that gave the program a try this year was New England Instrument Co., of Natick, Mass. Paul Hines, president, calls a study for the company by Robin Berglund of Harvard "excellent."

Young Mr. Berglund's recommendation that New England Instrument needs direct selling abroad will be followed up, he says; the company soon will send its own representative to Europe to sell precision instruments for aircraft and other highly sophisticated devices. Mr. Berglund's work included a survey of European requirements for such instruments, and suggestions on how they could best be sold. Comparisons were drawn between New England Instrument and its competitors.

Tom Nendick, vice president, MGD Graphics of Chicago, maker of printing presses, reports Andrew Robertson of Northern Illinois University investigated the whole printing press industry, and worked up excellent statistics on various foreign markets.

"It was strictly a pro job," Mr. Nendick says.

As a result, MGD will station a man in Singapore on a full-time basis and put a service expert in Buenos Aires.

Jack Stocker, president and owner of Dixie Logging Tool Co., of Chattanooga, Tenn., says his company already is following through on numerous suggestions made by William Shewey of Georgia State University.

"The material was excellent and we found good business leads in it," Mr. Stocker reports. "It was quite specific in recommendations and thorough in investigation.

"My company was like some of the others. We didn't know anyplace else we could get such in-depth information on export possibilities in our field so fast. Besides, the service certainly didn't cost very much money."

Young Mr. Shewey gave Dixie Logging recommendations on whom to contact in various places abroad and he suggested when the company should work through agents and when it should deal directly with foreign companies. For sales in former French colonies in Africa, Mr. Shewey pointed out, Dixie Logging need go no further than French trading companies' New York purchasing agents.

• A second Bureau of International Commerce project in its early stages is *The Global Marketing Program* under which the government offers detailed overseas market research to industries with high export potential. The research shows where demand exists for particular products.

Two reports, each in a bulging folder, have dealt with food processing and packaging machinery and with electronic data processing equipment.

Each report offers comprehensive information on up to 30 countries. It profiles markets and pinpoints types of machinery which have best sales possibilities. Research covers production, consumption and import-export



President Jack Stocker and Warehouse Superintendent Gene Warren of Dixie Logging Tool Co., Chattanooga, Tenn., pack a box of skidding tongs, peaveys and cant hooks for shipment to a buyer in Johannesburg, South Africa. The Department of Commerce helped the firm get into exporting.

statistics over the past three years in each country, as well as the outlook there through 1975. It also covers market characteristics, sales development techniques, distribution systems, trade tactics and competitive factors.

With this data in hand, international trade specialists at the Commerce Department in Washington, or its field offices, sit down with individual firms and tailor global marketing plans to fit particular needs.

• *The Regional Trade Development Center* program offers trade promotion help for American companies that want to extend exporting to developing countries. The first center, in Bangkok, Thailand, is now in operation for Southeast Asia. A second, in Buenos Aires, to serve part of South America is due to open this year.

Two others, in Lagos, Nigeria, and Beirut, Lebanon, are scheduled to start operations next year.

Centers are staffed by experienced trade development specialists who provide American companies or their agents with a program of trade promotion especially adapted to local business and marketing. Programs include seminars, training courses, touring shows, business conferences, displays and catalogs.

There are mini-exhibitions, usually involving four to eight U. S. manufacturers, aimed at specific buyers in specific markets.

Potentials for trade with developing nations are large. Last year their total purchases of American goods amounted to $12.9 billion.

• The aim of the *Project Facilitation Program* is to bring proposed major construction projects abroad to the attention of American companies. The companies may be interested in bidding on part or all of projects such as construction of airports, seaports, railroads, highways, electric power plants, irrigation works, hospitals, hotels, industrial plants and housing.

• *The Multinational Corporation Study* develops data for forming policy toward multinational firms and for analyzing corporation developments. It considers the impact of exports in particular areas and provides information on investment needs, taxation and antitrust laws.

• *The Japan Study* focuses on the nature and future course of Japanese trade and investments. It aims at creating an understanding of Japanese industry-banking-government relations and how they affect U. S. business.

• In another major effort, aimed at the Central and South American areas, the Commerce Department will soon open a *Mexico City Trade Center*. Permanent display space, where American companies can show their wares and tell about their services, is available.

• There's an old Washington saying that "the government usually can help a fellow (or a company), but the fellow often doesn't know about it." A concerted effort is now under way to acquaint Americans and American companies with aid that is available. An *Awareness Program* has been launched which includes mailing to companies tens of thousands of posters urging boosts in exporting.

A $500,000 advertising campaign in the business press plugs these themes: Exporters should not miss the boat;



We'll help you pull together a plant site report on the Carolinas that will make the boss realize how vastly underpaid you are.

No boss appreciates wordy situation reports crammed with vague statistics he could find in any tourist brochure.

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As your report progresses, we'll arrange initial surveys, secure technical information, and introduce you to anyone you need to talk to.

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You, Too, Can Sell Abroad *continued*

there's action "over there"; the world market is growing twice as fast as the domestic market and U. S. exporting is growing twice as fast as domestic market business.

Lagging in R&D

The need for fast American action in increasing exports to avoid spending more abroad than we take in has been emphasized frequently by Commerce Secretary Stans.

"The United States," he warns, "has been losing, and is continuing to lose, its competitiveness in world markets."

Our competitive advantage has been fading in terms of price, productivity and technology, he says.

Technology, where the United States shone so brightly in the past?

"It is not difficult to find out why," the Secretary explains. "It has been calculated that private research and development in 1968 in the United States was only $13 billion—about 1.5 per cent of the GNP.

"In Germany, 2.7 per cent of the GNP was spent on research and development, and in Japan, 2.2 per cent.

"In Canada, companies receive grants equal to 25 per cent of capital expenses on scientific research and development . . . [and] can receive government payments of up to 50 per cent of the cost of individual research and development projects.

"In Britain, companies can write off as much as 100 per cent of their new investments in productive facilities in the year they are made. In Germany, companies receive special tax write-offs of up to 50 per cent of corporate research and development investments—plus a 10 per cent cash investment subsidy. . . ."

President Nixon, in his speech last month on jogging the economy, not only announced he would ask Congress to provide new tax incentives for investment, but also said he has directed Treasury Secretary John B. Connally to come up with tax proposals aimed at stimulating research and development in this country.

Meantime, Secretary Stans emphasizes another explanation for American loss of competitiveness in export sales.

"Our competitors," he says, "have been trying harder than we have."

END

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We could do it, many say, with a separate minimum wage for teen-agers



When employers shop in the labor market, teen-agers tend to be the last job-hunters considered—unless the price is right.

The Dean & Barry Co. paint store in Urbana, Ohio, doesn't hire part-time teen-age help any more.

But it used to.

So did all the other 39 Dean & Barry retail stores. Now only the larger ones do.

"Most of our paint stores are in small, county-seat towns," says Robert S. McKay II, president.

"In the summer, almost all used to hire high-school boys. They stocked shelves, swept up and did other chores.

"We used to pay them $1 to $1.25 an hour.

"Usually, they worked full time in summer. The rest of the year, they worked a few hours after school and on Saturday. Maybe 10 to 15 hours a week. They were just extra, supplemental help.

"Then the minimum wage law made us pay them $1.60 an hour. So we stopped hiring most of them. That took away about 15 to 20 jobs.

"But the smaller stores just couldn't take the tab."

In Chicago, the same law has helped dry up job opportunities for other young people.

Carson, Pirie, Scott & Co., a giant Chicago department store, used to hire several hundred of them to fill summer jobs.

"We hired girls for our College Boards, for example," says C. V. Martin, board chairman. "They were sort of assistant clerks, models and fashion coordinators. We hired boys for jobs like stock boy or to work at our soda fountain.

"But we didn't have nearly as many this summer as we did before.

"One factor is the economy. But another is the minimum wage. It's just too high for these marginal, non-adult jobs."

He adds: "It's a tragedy, on two counts.

"Not only do young people lose the chance to earn some money. They also miss an opportunity to learn what it is to work in a department store—and perhaps decide they'd like to become merchants.

"It was kind of a vocational training."

Old story for the young

The unadjusted jobless rate for teen-agers has climbed to 19.7 per cent.

In inner city poverty areas, it has skyrocketed, from 23.2 per cent in the first quarter of 1971 to 28.5 in the second.

For those areas' black teen-agers, the rate was even worse—from 34.2

per cent in the first three months to 39.1 in the second. Nor is this just a recent phenomenon.

"This is a problem that goes back 40 years," says Secretary of Labor James D. Hodgson.

In 1930, he points out, the U. S. teen-age unemployment rate was one and a half times as high as the total unemployment rate. By 1948, it was two and a half times as high. In 1963, it was three times as high, and by 1969 four times as high.

Many economists, statisticians and social scientists are sure they know the reason why: The minimum wage law.

"It may help some workers," says Prof. Charles T. Stewart Jr., noted George Washington University economist.

"But it doesn't help the marginal people—the inexperienced, the unskilled or handicapped workers.

"It hurts them. And teen-agers make up the largest pool of marginal workers in the nation."

Like a sore thumb

He adds: "Look at the right statistics, and that fact sticks out like a sore thumb.

"Take the per cent of jobless teenagers in any year. Then compare that with the total per cent of all unemployed—mostly adults.

"That ratio is a sensitive index.

"Nearly every year the minimum wage goes up, that ratio goes right up with it."

Labor Department economists don't dispute the statistics, but say that they don't prove much.

Their view is reflected in a recent article, "Young Workers and Their Earnings," which appeared in the Department's *Monthly Labor Review*. Author Vera C. Perrella, a Labor Department economist, says:

"According to one theory, minimum wages have unemployment and disemployment effects for the youngest workers because their productivity is low and employers are less willing to hire them than older, more productive workers, even when older workers have to be paid appreciably higher wages.

"The data neither support nor contradict this argument."

"But the Labor Department studies are faulty," says economist Stewart.

"Its statistics don't give an adequate 'before and after' picture.

"What happens in this country is that the economy—and employment—are usually growing. So if you look merely at employment figures, you find they're growing, even after the minimum wage goes up.

"But that doesn't prove the minimum wage has no impact.

"To find out if it does or not, you have to do this. Ask what would have happened if you didn't have a minimum wage. That's a harder question to answer. But it's the right one to ask.

"And many independent studies do show that federal minimum wage rates have an adverse effect on employment."

Arthur F. Burns, now chairman of the Federal Reserve Board, once made the same point. In his book, "The Management of Prosperity," he said:

"The ratio of the unemployment rate of teen-agers to that of male adults was invariably higher during the six months following an increase of the minimum wage than it was in the preceding half year."

Then he posed this question.

What would happen if the economy stayed on an even keel—and the minimum wage were boosted?

A 25 per cent increase would hike white teen-age unemployment by as much as 8 per cent, he estimated.

The end of the line

Why does a law that promises more pay mean fewer jobs for some workers?

The National Commission on Technology, Automation and Economic Progress explains it this way:

"We have found it useful to view the labor market as a gigantic 'shape-up', with members of the labor force queued up in order of their relative attractiveness to employers.

"If the labor market operates efficiently, employers will start at the head of the line, selecting as many as they need of employees most attractive to them. Their choice may be based on objective standards relating to ability or on dubious standards of race, sex, or age; wage differentials may also be important; and formal education may be used as a rough screening device.

"The total number employed and unemployed depends primarily on the general state of economic activity.

"The employed tend to be those near the beginning and the unemployed those near the end of the line."

But that's true, it notes, only if those at the head of the line—and those at the end—all cost the same.

If the price is right, tail-enders stand as good a chance of landing the job as the front-runners.

"The choice between low-skill and high-skill manpower," it says, "is made on the basis of relative costs."

Lack of jobs for young, inexperienced workers hits black and white alike.

But it hits black young people hardest.

"Minority teen-agers, mostly black, suffer more than anyone," says Yale Brozen, professor of business economics, University of Chicago.

"In 1950, 1956, 1961, the minimum wage was raised by Congress. There were a series of increases between 1967 and 1971.

"Every time, black teen-age unemployment rose too.

"This year, it has reached a shocking level.

"It's not racial discrimination that's causing this. Otherwise, we'd have to argue that every time the minimum wage goes up, antiblack feeling intensifies, too."

Prof. Paul A. Samuelson of Massachusetts Institute of Technology is equally critical of the law's effect.

"What good does it do to a black youth to know that an employer must pay him $1.60 an hour—or $2.00," he asks, "if the fact that he must be paid that amount is what keeps him from getting a job?"

Another boost?

Congress is now considering raising that minimum to at least $2 an hour—for youngsters as well as adults—as soon as Jan. 1, 1972.

That would simply compound the felony, critics say.

Black unemployment may be one of the most explosive consequences of pricing "those near the end of the line" out of the labor market.

Earlier this year, a task force of

Making More Jobs for Young Americans *continued*

The Twentieth Century Fund took a look at this "urgent problem," which, it says, "is daily growing more acute."

In a report called "Youth Unemployment: Crisis in the Cities," it took this grim look at the future:

"More young black people will enter the job market in the decade ahead, and they will represent a higher proportion of all new entrants than they did in the past. Teen-agers among blacks and other minority groups will increase from about 2.1 million in 1970 to 2.6 million in 1980—a gain of 24 per cent. . . .

"Only at the gravest peril to our society can the American people continue to ignore the growing frustration, despair and hostility that characterize more and more young black people. After a childhood and adolescence stunted by deprivation, rejection and neglect, these young people want the opportunity to support themselves and live useful lives."

Jobs are the cure, it says, although a lower minimum wage for young workers is not one of the remedies it touts.

Sar A. Levitan, one of the task force members who produced the report, feels differently. Mr. Levitan, head of the Center for Manpower Policy Studies, says:

"I tried to persuade the task force to come out for a dual minimum wage—a lower minimum for young people, a higher one for adults.

"Our focus was on black youth.

"In lots of cases, the minimum doesn't help them. Sometimes they're beat out of jobs covered by the law—or pushed out into uncovered employment.

"I think it has a similar—if less severe—effect on white youths, too."

Would teen-agers work for $1.60 an hour or less?

As a matter of fact, many of them do now. Or did at the time of the latest Labor Department survey in October, 1969.

More than half—51 per cent—of all working 16- and 17-year-olds made less than $1.60. Seventy-six per cent made less than $1.75. The median pay for all of them was $1.58.

Older teen-agers made more. Of employed 18- and 19-year-olds only 21 per cent made less than $1.60. But 41 per cent made less than $1.75. Their median pay was $1.87. Teen-agers without work evidently eyed jobs like these enviously. Of those 16 and 17 years old, nearly 6 out of 10—58 per cent—said they'd be glad to take one that paid less than $1.60 an hour.

Nearly 9 out of 10—85 per cent—were willing to work for less than $1.75.

Experts say the Labor Department's own statistics show that a boost to $2 an hour, as some bills in Congress propose, is unnecessary and probably harmful.

"I'm sure a dual minimum wage, pegged at $1.60, for teen-agers is not a cure-all for youth unemployment," says Mr. Levitan.

"But I think it's a worthwhile experiment."

Hodgson's choice

Labor Secretary Hodgson takes a similar slant. He has urged Congress to keep a $1.60-an-hour rate for workers under 18 and for full-time students under 20.

In his huge, panelled office on the third floor of the Labor Department building in downtown Washington, he discusses the issue.

"The man who is new on the job," he says, "is worth less than the man who is experienced.

"The worker who is skilled is worth more than the unskilled. And the mature adult who has disciplined himself to work is worth more to an employer than the youngster who hasn't. That's the way the world of work works.

"We want to give an employer an incentive to give these younger people their first job. And the way to do it is to have a wage differential that makes hiring them attractive.

"The Labor Department has figures which show that when there's a pay differential of about 20 per cent, it will stimulate the hiring of youth."

"A youth differential," he says flatly, "will have the effect of encouraging employment opportunities for young people."

Many other countries have the kind of "youth differential" which Secretary Hodgson describes.

That's true, for example, in Western Europe and Japan.

There, youngsters have had far better luck at landing jobs than American teen-agers.

The latest period for which complete published figures are available is 1960-64. The table below, from the Bureau of Labor Statistics, shows youth unemployment rates, at that time.

Is this cause and effect?

"The evidence from abroad," the Labor Department concedes, "indicates that low wages for youth are an inducement to employers to seek young workers eagerly. The relatively low youth unemployment rates abroad are partially a reflection of that fact."

Any questions? END

Unemployment rates and the youth-adult unemployment ratio for selected countries

Countries	Unemployment rate, all ages		Youth unemployment rate		Youth-adult unemployment ratio	
	1960-64	1967-68	1960-64	1967-68	1960-64	1967-68
Germany (1961-67)	0.3	1.1	0.3	1.1	1.0	1.0
Netherlands (1960)	0.9		1.4		1.8	
United Kingdom (1961-67)	1.3	2.0	0.9	2.2	0.6	1.1
Sweden (1964-67)	1.7	2.6	3.9	6.1	2.6	2.9
France (1960)	2.1		6.6		4.4	
Belgium (1960)	2.5		4.0		1.7	
Italy (1961-67)	3.4	3.5	9.3	11.4	4.9	5.7
Japan (1962)	0.9		1.4		1.6	
United States (1960-68)	5.5	3.6	14.7	12.7	3.3	5.5

Why Those Jeans Jingle



Teen power can have major impact on balance sheets.

Teen-agers rack up a heavy chunk of the earnings of American workers, a Census Bureau survey shows.

Proportionately, their earnings are not in line with their proportion of the total population, of course. But nevertheless, the figures indicate that a lot of the money in those jeans is earned by the wearers.

Eleven per cent of the population is 14 through 19 years old. These youngsters' earnings amount to well under 2 per cent of the nation's total personal income—but the total, nevertheless, is a whopping $12.4 billion.

About 10 million of the 22 million youngsters had no income, other than allowances and gifts, in 1969. On the other hand, about 6.8 million boys and 5.6 million girls aged 14–19 earned some money, with the boys averaging about $1,100 and the girls about $870 a year, usually from part-time or short-term jobs.

In all, the boys earned about $7.5 billion and the girls almost $5 billion a year—impressive sums. But older workers earned about $738 billion.

Those in the 20–24 age bracket, as might be expected, were much more likely than teen-agers to have full-time jobs that lasted all year. Forty-one per cent of the men and 35 per cent of the girls in this group were full-time workers, compared with about 6 per cent each of the boys and girls 14 through 19 years old.

Their earnings were higher, too. Men 20 to 24 working full-time averaged $6,164 and women of the same ages in full-time jobs averaged $4,594. Taking into account those with part-time jobs, average earnings were $4,194 for the men and $2,807 for the women.

The combined earnings of all the men and women in the 20–24 age bracket in 1969 was $46 billion, more than 6 per cent of the total income of all Americans. (Military pay figures are not included.)

There were 3,524,000 young families with heads under age 25, about half of them working full time. As a whole, their incomes averaged $6,842 per family. Among such households with the head of the family working full time, family incomes averaged $8,366.

The earnings of all these young families, with or without full-time jobs, totaled some $24 billion a year, or more than 3 per cent of the total personal income. END

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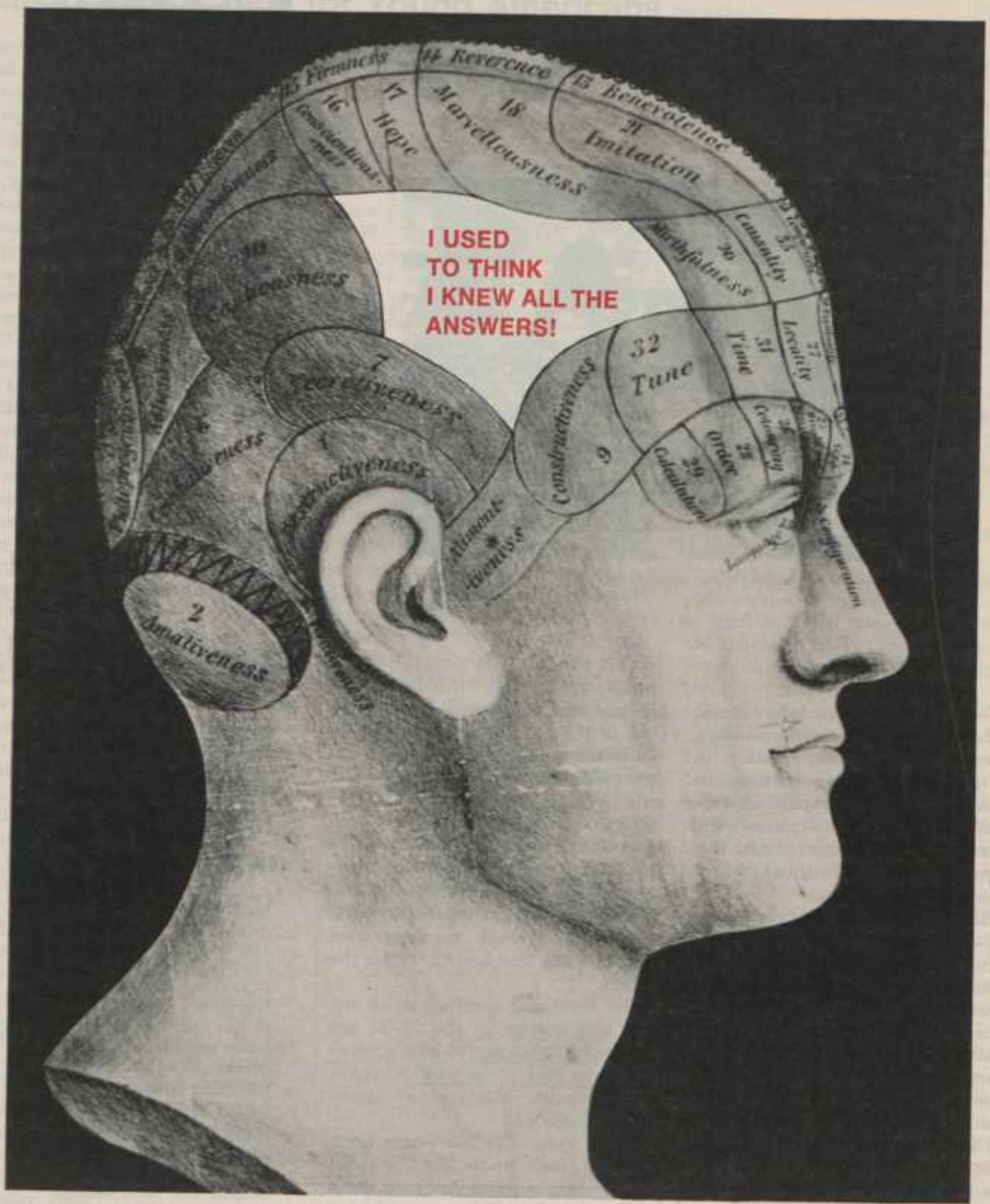
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BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

Unless there are unexpected changes in American tastes, processed fruits are going to account for two thirds of the nation's fruit output by the end of this decade.

New freezing techniques prompt that prediction from the Agriculture Department's Economic Research Service. Freeze drying is already commonly used and a still newer method—dehydrofreezing—is said to hold great promise. It involves removing water before freezing to reduce bulk and weight, thus cutting shipping costs.

Peaches, the leading canned deciduous fruit, should show a 34 per cent growth to 1.9 billion pounds in 1980. Although per capita consumption of fresh and dried peaches is expected to drop, consumption of canned and frozen peaches is expected to rise.

Southern growers dominate the fresh peach market, supplying half of the U. S. total in the past decade. (Ninety-three per cent of the West's peach crop is now processed.)

If per capita consumption of fresh peaches declines as predicted, growers in South Carolina (10 per cent share of the total market) and Georgia (6 per cent) are likely to show greater interest in processing.

LEISURE

Traveling vacation homes' growing popularity is spawning a new industry—recreational vehicle parking lots.

The trend towards more high-rise apartments and townhouses, plus parking restrictions in residential areas, makes such lots a godsend to travel-oriented consumers.

The Recreational Vehicle Institute sees the lots as a real stimulus to sales, since many potential customers are presently unable to own travel or camping trailers, truck campers, pickup covers or motor homes because parking or storage space is not available. A few lots have already opened around major metropolitan centers.

All told, recreational vehicle industry sales (800 manufacturers and 10,000 dealers) this year are expected to remain generally at the 1970 level, which was $1.5 billion on 542,000 units. However, motor home sales are expected to increase by 25-30 per cent and travel trailer sales by 8-10 per cent.

By 1980, the Institute forecasts, the industry's annual sales will reach $2 billion. Storage lots for urban cliff dwellers could hasten arrival at that level.

NATURAL RESOURCES

Salt may be one answer to the electricity supply problem the nation faces in the future, especially if the trend toward more air conditioning continues.

Used as a "cooling fly wheel" in a new-generation air conditioner, salt hydrates could "store up coolness" during the night. They would be frozen by the refrigerant from a conventional unit evaporator.

During daylight hours, when power demands are heaviest, the frozen crystals would supplement the conventional air conditioner.

Scientists at the University of Pennsylvania's National Center for Energy Management and Power believe the combination of a conventional air conditioner and a TES—thermal energy storage unit—could do away with brownouts and blackouts.

The Center is developing a three-ton prototype on a $534,000 National Science Foundation grant. Engineers say the futuristic units are smaller, last longer, use 60 per cent less power, and—if operated on a 24-hour basis—should save the user at least 15 per cent on his electric bill.

CREDIT AND FINANCE

The threat of mandatory lower monthly charges on revolving credit plans in some states is sending alarm signals throughout retail circles. There is fear that the movement may become national.

The National Retail Merchants Association, which takes the position that what's involved is a finance charge and not interest, warns that costs are exceeding revenues on retail credit accounts and that further rate cuts could lead to "extinction of self-sustained retail credit operations."

Meantime, there has been a dramatic growth in commercial banks' credit plans.

At the end of 1970, banks reported $5.1 billion in installment loans outstanding under charge account credit cards and check or revolving credit plans. This was a $1.4 billion, or 38 per cent, increase over the year before.

HUMAN RESOURCES

The businessman who needs an engineer or scientist but can't afford to pay interview and relocation expenses may be able to solve his problem through the Labor Department's Technology Mobilization and Reemployment Program, established in April and funded with $42 million.

The source to draw from is some 10,000 engineers, scientists and technicians thrown out of work in 14 cities as a result of cutbacks in defense and aerospace contracts.

They can obtain outright grants of $500 for interviews and $1,200 for relocation, provided the employer doesn't normally pay those expenses. In addition some $25 million is available for retraining for specific jobs in a different industry.

The Labor Department is expanding the program to include more high-unemployment areas. Thus far the program hasn't clicked because few unemployed professionals are anxious to relocate.

MANUFACTURING

Contractors doing business with the federal government face pressure to set aside subcontracts for minority-run businesses.

On contracts from $5,000 to $500,000, the contractor likely will only be urged to increase subcontracting to minority members on a "best effort" basis. But on larger contracts the requirement is expected to be more specific.

A proposed federal procurement regulation, designed by the Federal Interagency Task Force on Minority Procurement, has been circulating in business circles for review and comment. Indications are that some form of regulation is a *fait accompli*—and that one will be in effect shortly.

Government officials say some companies now make a point of minority subcontracting on federal business, and others should, too.

Big initial problem is going to be locating minority-owned firms and assessing their capabilities. A distinct possibility is creation of a quasi-public organization under business leadership to supply that information.

MARKETING

By 1977, there will be an estimated 6.23 million businesses in the U. S., with 95 per cent of them in the small business category. And for the first time, small firms will equal the big ones in gross business product.

That picture is drawn by the Small Business Administration, which predicts an overall 2 per cent annual growth in all types of firms (the total now, it reports, is 5.56 million). SBA says the most rapid increases will be in services, contract construction, transportation and real estate.

In 1977, it forecasts, there will be some 160,000 more firms in retailing; 140,000 more in services; 115,000 more in contract construction; 55,000 more in wholesaling; 13,000 more in manufacturing; and 187,000 more in such fields as transportation, communications, public utilities, insurance, real estate and mining.

TRANSPORTATION

While fares on international flights may be slashed, the possibility of a user's surcharge remains in the wings.

Reason is that governments belonging to the International Civil Aviation Organization want the air carriers to pay for the increasing cost of en-route services such as air traffic control and weather forecasts.

Carriers say they can't absorb costs of such magnitude without a surcharge on passenger fares and cargo rates. Until March 31, 1973, the initial surcharge rate would be 1 per cent of the normal economy class fare, with a maximum of $10. For cargo the surcharge would be 2 per cent of the tab. Rates would rise in later years.

The International Air Transport Association estimates that first-year cost would be $50 million, and that it would rise to $700 million annually by 1978.

The proposal has had a cold reception in the U. S., where the Civil Aeronautics Board recently rejected it. But the ICAO is expected to resubmit it for U.S. approval.

Editorial

Time for Serious Thought

There has been something seriously wrong with our economy for several years.

We've had serious inflation and, at the same time, serious unemployment—a situation the economics books insist can't happen.

During the current 90-day wage-price freeze, government will be trying to find some long-range solutions to our problems other than permanent, coercive controls.

Serious consideration should be given to root causes:

- The excessive union power that breeds cost-push inflation.
- The excessive government spending that creates inflated dollars.
- The excessive restrictions that restrain the competitiveness of American business.

Otherwise we may well become, in the President's words, "second or third or fourth" in the world's economy.

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In terms of road holding, handling, and general behavior, the Jaguar XJ6 is near perfection. It has a fully independent 4-wheel suspension system with "anti-dive" geometry. Power-assisted rack-and-pinion steering with 3.5 turns lock to lock. Perfectly balanced caliper-type disc brakes front and rear (also power-assisted). And a low center of gravity with an unusually wide track.

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